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ECONOMIC MOBILIZATION FOR NATIONAL DEFENCE

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PREFACE

The present study seeks to present a model of total mobilization of resources for national defence at a time when India's borders are seriously threatened by hostile enemies At this juncture when there is nationwide concern for maintaining the territorial integrity of the country, there is need of fixing clear and definite national goals in terms of the striking power that we must develop and maintain at ready-to-fight level These may then be translated in terms of the volume and kind of economic resources that would be needed for the purpose; and, finally, ways and means have to be devised to mobilize resources of the required order. All this has to be done against the background of the capacity of the economy to produce and yield resources to sustain long-range and short-range defence efforts of given dimensions.

We have stated the results of our study in the present publication Our finding is that the potential economic strength of our country is so tremendous that we can fight even major wars, and keep on fighting, if forced to do so, over a long period of time without weakening our productive power and, in fact, adding simultaneously to its strength and size.

It is our analysis that in a war situation, mere economic, fiscal or legislative measures cannot accomplish the degree and kind of economic and non-economic mobilization which is necessary for vanquishing the enemy, and greatest value must be attached to winning public confidence and making constructive use of public enthusiasm for war efforts We have indicated, even though tentatively, the concrete forms in which public enthusiasm can be used for national defence, and we have also suggested, purely by way of illustration and demonstration, an organization structure which can be raised to accomplish this.

We had made these proposals originally in the year 1962 when China had committed aggression on our Himalayan border. They have since been considerably modified and enlarged

Our purpose in publishing these proposals is not to suggest that the nation should be committed to any particular degree of military preparedness or to any particular span of time for completing this preparation. What we do mean to accomplish is, firstly, to show that India's economy has considerable capacity to support a major war effort, and, secondly, to provoke systematic thinking on the economic and non-economic aspects of resource mobilization.

We have used some matter published in the from an article in the 1965 Annual Number of the *Commerce* (Bombay) and express our gratitude to its Editor. We also aknowledge our debt to a number of persons who have given us the benefit of their views and comments.

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THE NATURE OF TOTAL MOBILIZATION

As a result of Independence, and coincidental therewith, India's northern, north-western and north-eastern borders have become highly vulnerable It was after the Chinese invasion in 1962 that we suddenly woke up to this hard reality and started thinking about protecting our borders During the British Period, there was a ring of friendly states around our land frontiers to keep a war off our soil, the sea-front was free from danger, and the invulnerability from air was so great that India was called an "air island" But all this has changed now The Chinese aggression of 1962 made us aware for the first time of the highly inflammable land border that we have inherited, and the two Pakistan aggressions of 1965 and the tension created by China on the borders in its wake have shocked us into this realization even more forcefully In fact, our land frontiers are highly explosive they might explode any time and anywhere. Our border conflicts are not mere accidents which would pass away and would not recur, they are an abiding fact of contemporary history and we must learn to live with them

The problem of our defences has become extremely urgent at the present moment because of the recent invasions of Pakistan and China it is now a matter of life and death for us We have, therefore, to mobilize our economic resources on a total basis to fight two ferocious enemies with everything we have got and to repulse their invasions We have to keep ourselves in a state of constant readiness to meet the aggressors wherever and whenever they raise their heads Our immediate defence effort has, therefore, to be herculean in its magnitude and speed, and then it can reach a pleateau of a reasonable altitude

In a situation of war, a country has to take care of its war front, home front and diplomatic front All the three fronts aim at winning a war, and are inter-dependent In particular, complete co-ordination and integrity of purpose and efforts between the battle front and the home front is a desideratum.

The home front can help the *jawans* by producing all the supplies which our theatres of war need, by relieving manpower for military careers, by keeping up its own morale and integrity, and by strengthening civil administration so that it does not crack under strain The first task, *viz* , production of all sorts of war supplies in adequate quantities, is an economic task *par excellence*, though other tasks are also governed in varying degrees by economic conditions The economic strength of a nation is, therefore, of major importance for building up a strong home front and for keeping war front alive and kicking

From an economic point of view, we are happily situated. The electrocardiogram of the Indian economy shows that it can bear the tremendous strain of total mobilization very well, without developing any signs of blood pressure or collapse.

THE TASK OF TOTAL MOBILIZATION

"Total mobilization" refers to a situation in which a country, firmly resolved to win a large-scale war, organizes its economy to produce the maximum possible volume of war materials It requires that the manpower and capital resources of a country are put to the maximum possible use, and the entire national output, except the limited amount kept aside for necessary civilian consumption, is diverted to military purposes On the one hand, it implies (a) the use of total manpower, (b) the use of total capital resources, in existence or procured, and (c) the increase in daily working hours and total employment with a view to raising the maximum possible output in a limited period of time, and, on the other hand, it implies the utilization of most of the national output for winning a war by keeping consumption to the lowest minimum

Reduction in Consumption The first impact of total mobilization is that it reduces the level of consumption of the people reduction in consumption is invariably the first step of mobilization effort The reduction in current consumption, which is inevitable in a mobilization situation, should, however, be of reasonable proportions, and what is reasonable depends upon the national needs and the extent of "squeezability" it is necessarily a matter of judgement. Restriction on consumption would

lead to saving of resources which can be mobilized for feeding the theatres of war with necessary supplies It is a basic tenet of war economics that belligerency implies a choice of more guns over more butter

Increase in Working Hours. Total mobilization also requires that production is increased as much as possible The greater the expansion of output, the more the resources that can be sent to the various theatres of war out of incremental output This might possibly reduce the need for restricting consumption Expanded output can sometimes and to some extent be made defence-oriented from the very outset, thus obviating to a certain degree the problem of making a sudden shift in the normal production programmes from peace to war basis Adequate attention must, therefore, be paid to the expansion that can be made in national output An easy way of expanding national output is to increase the daily working hours so that more war material is produced with the same men and machines This measure should not, however, be pushed too far not to the extent that public health is shattered But there is always scope for asking people to work more per day so long as national emergency lasts No economy can be said to be fully mobilized unless the daily working hours have reached emergency level

Increase in Employment The third tool of total mobilization is to increase the output of military supplies by drawing upon idle manpower the unemployed or the under-employed of whom there is usually no dearth in poor countries Employment in a condition of total mobilization is progressively increased, and a situation approximating full employment is soon reached Unemployment or under-employment in a war economy means keeping resources idle when more output is needed it is inconsistent with the goal of total mobilization

Fuller Use of Fixed Equipment Fourthly, the second and third measures of increasing national output imply that fixed equipment that a country possesses (*i e* , factory buildings and machinery) are used for a longer period per day than in peace-time on two or three shifts basis, and if existing capital formation is not adequate for the task, fresh

equipment has to be obtained from external sources and installed and operated with all speed The working of factories on a single shift basis is unthinkable in the context of total mobilization.

SOME SPECIAL CONSIDERATIONS IN INDIA

Save Economic Plans This normal pattern of total mobilization for war has to add one other dimension to itself in the case of India because of the fact that her Third Five Year Plan is in the process of execution and the Fourth Five Year Plan is on way, and it seems necessary to fulfil these economic plans not only to maintain the rate of development that has been initiated but also to help defence efforts in a planned way There can be a point of view that the financial provisions made in the current economic plan to develop the economy, may be held in abeyance till the duration of the emergency and the additional resources proposed to be raised under it may be utilized for winning the war that faces us on our frontiers This might possibly work if we think in terms of a brief period of time, but in the context of a long-drawn war with interjected attacks such as the ones that have been launched against us by China and Pakistan since 1962, or of a long-drawn programme of defence efforts that we must necessarily make, it seems to be an over-simplification If a war is going to be a short affair, we may use a large portion of our existing resources for its successful consummation, and then rebuild our economy energetically when the threat to national security has been removed But by all tokens the present war is not going to be a short one it is going to be long and it is going to be ferocious Therefore, our total mobilization has to have a sizable amplitude as well as a long time horizon We must organize total mobilization, and sustain it over a long duration · we have to take measures to raise production immediately as well as to maintain it at a high level during the years to come We must fulfil the Third and Fourth Five Year Plans so as to add to the productive capacity of the nation on a permanent basis. Moreover, we should give due weight to the fortunate fact that the present war across our borders is not a part of an international conflagration, and the Western democra-

cies and the Soviet Union might not only be in a position but might also like to give us help if we have to match swords with mainland China Therefore, we can build up our economic and military strength on the basis of an increase in our domestic resources as well as expectation of help from abroad The present coldness in the attitude of the West may not prove to be as abiding as it seems today . If, however, the circumstances force us to depend primarily upon our own resources, there is no question that our defence preparation would have to be limited Thirdly, it has to be realised that the increased output which would accrue under our economic plans would, in several cases, now have a defence destination. (*a*) The additional resources that have been set aside in these plans for raising the level of consumption of the people may now be converted from civilian to military uses (*b*) It is also quite clear that at least some of the resources envisaged for investment purposes can now be invested with greater orientation to the defence and military needs of the country For instance, the expansion of steel industry, the location of enterprises of military significance, the geography of transport lines, the purpose of building or construction projects and the nature of product mix, can all be re-designed with an eye on the defence needs of the country For all these reasons it is essential, in our judgment, that our economic plans are carried through according to schedule, and no laxity is allowed to creep in in this regard One of the important slogans of our defence efforts should be "Save Economic Plans"

Fiscal Implications The Indian economy on way to total mobilization should have three major sectors the Civilian Sector, the Investment Sector and the Defence Sector This distinction is admittedly academic to a certain extent for in practice one cannot be separated entirely from the other they jut into each other Nevertheless, a separation even on paper will keep their objectives distinct from each other and would ensure that each receives constant and adequate attention It will at the same time be necessary to have the greatest possible co-ordination and centralized control over all the three sectors so that the total resources of the nation can be optimized Optimization

consists in using total resources so well and so efficiently that a required level of civilian consumption, investment and military strength is reached by using a very small volume of these resources Otherwise there can be duplication and wastage which total mobilization must avoid at all costs

The fiscal implication of this policy is that the Central Government should have three budgets instead of two, *viz*, Revenue Budget, Capital Budget and Defence Budget There should naturally be complete co-ordination and integration among them , and their annual drafting should reflect the proper balance among the civilian, investment and defence needs of a totally mobilizing economy

IMMENSITY OF THE MOBILIZATION TASK

A great obstacle in the way of total mobilization is the psychological unpreparedness of a nation to comprehend the inherent immensity of the task When we talk of total mobilization, we should clearly remember that we are talking of an economy much bigger than we have at any time experienced or even imagined This applies to all the countries but particularly to those which have not fought a major war on their own account for centuries like India, Burma and Ceylon The economic magnitudes that are involved in total mobilization in this country would clearly be outside the range of its experience and, what is more important, even beyond its conception The figures might appear to be astronomical, and their vastness might invite incredulity, but the nation has to accept the challenge and get ready to face the situation realistically and courageously It is human nature to try to find reason against what it does not wish to accept In fact, there is evidence of our trying to keep the problem of mobilization within the range of our experience and mental grasp by creating a ring of artificial narrowness around the task that faces us. In 1962, this was reflected in the tendency to reduce the problem by thinking (*a*) that snowfall in the Himalayas would ease the situation, (*b*) that the Soviet-Chinese rift would hold in check China's fury against India, (*c*) that the unmanagable internal situation in China would control its aggressiveness, (*d*) that

China cannot possibly have such a vast and technically superior striking power as would vanquish India, and (*e*) that China's economic difficulties and weaknesses are too great to permit it prolonged and ferocious aggression There might or might not have been truth in these apparently pious hopes, but a nation that is resolved to win a total war in order to maintain its territorial integrity at any cost, must rule them out in its military plans and preparations It must not let such considerations make the task of national defence look smaller than what it really is. Even if any or all of such hopes materialize, nothing would be lost and much would be gained in terms of self-confidence and experience if we prepare ourselves for meeting the big challenge The experience and self-confidence thus gained would enable us to accelerate the country's economic growth when enduring peace returns And who knows that this might even enable us to cover the gulf that now exists between the rate of growth of under-developed free economies and under-developed totalitarian economies?

It is, therefore, clear that traditions military or fiscal or economic cannot offer us a wholly dependable guidance in building up a striking power of adequate size and aggressiveness They are usually embydiments of past experiences and they are bound by given historical situations and concepts, but military strategy and warfare involve highly dynamic variables and their complex involves large elements of the unexpected and the unorthodox Therefore, in framing a scheme of total mobilization, we have to project our thinking and planning on the canvas of existing facts as well as speculations and anticipations, we have to be daringly non-conformists though we must all the time keep our feet on earth and not be reckless

Total mobilization is the test of the imaginative and management power of human beings as also of their courage and boldness Mobilization not only increases the magnitude of economic task enormously, but this enormous task has to be accomplished within a very short period The unprecedented increase in the size and speed of economic operations is a characteristic of total

mobilization. It is not a game for those who are not bold to work in dangerous and unknown dimensions, nor for those who are frightened by small economic problems which total mobilization must inevitably create or worsen but which can be avoided only by slowing down the war effort.

Chapter II

THE OBJECTIVE AND SIZE OF ECONOMIC MOBILIZATION IN INDIA

We may now proceed to build a model of economic mobilization for India in the context of the Pak and Chinese invasions and their future threat It may be indicated here that a model should not be taken to be a prediction The projections contained in a model are not at all guaranteed to be true A model only illustrates how an economy would work under assumed conditions : it explains major inter-relations and establishes orders of magnitudes

A model can be constructed when the object of mobilization has been determined and made known. So far as we are aware, the Central Government has not fixed any definite goal for mobilization in India, if set, it has not been made public Under the circumstances, all that is possible is that we supply a goal ourselves

This is clearly open to risk and misunderstanding Goal-setting in this field is not an economist's job Therefore, if he chooses any goal for the sake of discussion, it can only be a guestimate, and if it is done with intelligence, it would be an intelligent guestimate He can claim no finality or infallibility for such a goal, and he should not be understood to mean that the goal set by him is proposed to be the correct goal for the nation or that his intention is to get it accepted as the national goal As stated above, it should be taken only as an illustration to indicate the involved inter-relations and magnitudes If and when the Government of India fixes a goal in this regard, the details of the model can be changed to conform thereto

THE REQUIRED MILITARY BUILD-UP IN INDIA

Though reliable figures of the military strength of India and China are not available, it is estimated by some experts that India has a striking power of 5,00,000 men and officers[1] as against China's 25,00,000 and Pakistan's 2,00,000 The numerical object of mobilization in India may, therefore, reasonably be fixed at raising the country's striking power to the level of 30,00,000 combatants, *i e* , raising it six times of its present size

Besides an increase in numbers, there is an urgent need of equipping India's fighting forces with modern weapons and other military hardware, including the weapons suited to guerilla and mountain warfare The volume, datedness and variety of the equipment have to be upgraded, and fast. The object of total mobilization in India may, as such, be expressed as *the raising of a fully equipped and modernized Indian military of* 30,00,000 *combatants ready to fight at immediate notice* If we do this, we can hope to meet any aggression on our soil with the realistic confidence that we can beat it back in every department of war and at any and every point of threat on our frontiers

This, however, is our personal judgment The estimate of the required military build-up to make our borders secure is a military and political decision which we do not presume to know or predict, and it can be very much different from what we have suggested above It is necessary to mention this clearly because we have noticed that when critics feel that the defence objective that has been proposed in a model is not realistic or should be rejected (and it is easy to have such a feeling), they hastily conclude (by a queer mental association) that it *ipso facto* amounts to the rejection of the model itself the sources of mobilization, the extent of resources that the economy can yield, the methods in which they can be mopped up, and so forth The fact of the matter is that a model merely suggests a consistent and workable plan of action to achieve a certain purpose. But at

[1]The following discussion is based on the assumption that this is India's existing military strength If it is actually less, or more, than 5,00,000 combatants, all the relevant calculations will have to be modified *mutatis mutandis*.

the same time it can offer guidance also for achievement of similar other purposes spelled out variously in different dimensions.

Therefore, the object suggested above, *viz*, the raising of a striking power of 30,00,000 ready-to-fight combatants, gives us

TABLE 1

Alternative Defence Objectives

Objective	Striking Power (Combatants)	Level
A1	5	Peace
A2	5	War
B1	10	Peace
B2	10	War
C1	15	Peace
C2	15	War
D1	20	Peace
D2	20	War
E1	25	Peace
E2	25	War
F1	30	Peace
F2	30	War
G1	35	Peace
G2	35	War
H1	40	Peace
H2	40	War

a certain order of magnitude However, there can be more than a dozen possible defence objectives for India as shown in Table 1.

The main difference between peace and war levels of readiness is that the latter involves tremendous expenditure on arms and ammunitions etc which are rapidily consumed when a war is being fought It results in a very substantial difference in their respective financial implications, as we would presently see It is also possible to have a great many admixtures of our defence forces partly organised at war level and partly at peace level

The model that we present hereafter relates to objective F2, that is to say, the building up of a fully equipped modern military force of 30 lac combatants in a state of readiness to fight a major war. But the suggestions made by us for mobilising resources can apply to a much lesser, or higher, objective with suitable modifications.

THE TIME ELEMENT

The goal of mobilization must also have a time dimension : in other words, we must determine the period of time during which we propose to build up the striking power of the desired magnitude.

It is quite clear that we cannot afford to wait at all, for at the moment we are almost at the mercy of China's military superiority in numbers, equipment and pre-meditated strategy, and we do not understand the mysterious working of the Chinese mind or China's designs against us China's invasion of Indian territory in 1962 and 1965 has had a certain element of unpredictability So far as Pakistan is concerned, we had predicted in 1962 when China had attacked us that "our frontiers with Pakistan might explode anytime and anywhere the Pak opportunism seems to have run amuck" This has come true in 1965 We have, therefore, no time to lose, every day is an opportunity for better military preparation which we must cash eagerly and resolutely

The duration of a war is a function of (*i*) the ferocity of aggression and (*ii*) the preparedness of the invaded country to beat it back. In the context of Sino-Pakistan equation, the tremendous ferocity of the combined forces of the aggressors over-matches

our limited preparedness to meet it, therefore, on the existing bases of respective military strength of China and Pakistan on the one hand and of India on the other, there is a danger that the invading armies can march at a lightening speed If we want to prevent the onslaught of the mighty juggernaut of the Chinese military forces and Pakistan's opportunistic aggressiveness, we should prepare ourselves fully for the challenging task before it is too late

Our proposal is that the time-span of the defence model should be 18 months (October 1965 to March 1967), in other words, we should build up the striking power of 30,00,000 well-equipped combatants by the end of the financial year 1966-67 [2]

Here, again, we should like to mention that this suggesion about the time-span of the model is also a personal suggestion in fact, it has to be a military and political decision Since no such lead is available, a time span has to be suggested The time-span of any particular objective of the model can, however, be expanded according to such a decision without destroying the validity of the model or the suggestions for the mobilization of resources For instance, if it is decided by the Government that the object proposed by us should be attained over a period of three years or six years, it only means that the endeavours which have to be made during the period of a year and a half according to our proposals can be spread over three years or six years as the case may be.

It is not our serious or firm proposal that India must necessarily build up a military might of 30 lac combatants by the end of 1966-67, our contention is that if it decides to do so, the economy is sufficiently strong to bear this strain It is also our proposition that if India decides to adopt a more limited defence objective by lowering the standard of the desired striking power or/and lengthening the period of time over which it has to be achieved, our model would still be serviceable The fixation of a defence

[2] The British economy attained its mobilization peak in a short time—between summer of 1939 and June 1941

objective is not of essence from our point of view; the construction of the model is.

Having said this, we can allow the remaining discussion to run off on the basis that India has to raise a fully equipped and modernized military of 30 lac combatants by March 31, 1967. We can only hope that this would not cause any misunderstanding.

THE MOBILIZATION TARGET SIZE OF DEFENCE BUDGET

This military objective can now be spelled out in terms of the magnitude of economic mobilization It is our estimate that the monetary measure of the above-mentioned magnitude is Rs 5,400 crores. In other words, we have to construct a Defence Budget of Rs 5,400 crores for the financial year 1966-67

This is truly an astronomical figure Its comparative size can be better comprehended if it is mentioned that our existing defence budget (1965-66) is Rs. 749 crore only We have, therefore, to inflate it seven times during a year and a half

The revenue budget of the Central Government in 1965-66 (as measured by the total on the expenditure side) is Rs 2,116 crores, the proposed defence budget would have to be 2½ times as big. The capital budget of the Central Government for the same year is slightly higher Rs 2,174 crores, the proposed defence budget would, again, be about 2½ times of its size The total of the revenue and capital budgets of the Government of India for the year 1965-66 is Rs 4,290 crores, and the proposed defence budget would be bigger than this amount All the States in India had combined revenue and capital budgets of Rs 1,841 crores and Rs 1,124 crores respectively in 1965-66, an aggregate of Rs 2,965 crores The proposed defence budget for 1966-67 would be somewhat less than twice the size of the combined total of the revenue and capital budgets of State Governments.

The amount proposed to be spent in public sector in the entire period of the Fourth Five Year Plan is Rs 15,620 crores. We have to spend approximately 35% of this amount on defence alone in a single year, in the year 1966-67

MAGNITUDES OF MOBILIZATION DURING THE PERIOD OF THE THIRD PLAN

We have given above an idea of the immensity of the economic task that faces us during the financial year 1966-67 So far as the remaining six months of the current financial year (1965-66) are concerned, we should begin our military preparations in the light of the defence and mobilization targets mentioned above These preparations have already begun, but there is need of injecting speed, urgency and size in their overtone, and of bringing them in line with the magnitude of the defence effort fixed for 1966-67 The remaining six months of the current financial year should be carefully used for this purpose to bring our striking power to the level of 15,00,000 ready-to-fight combatants at an additional cost of Rs 1,800 crores

The mobilization process that is initiated in the current financial year (1965-66) should be continued with added vigour in 1966-67 (which would be the first year of the Fourth Plan) and possibly in succeeding years The Sino-Indian hostilities might or might not break out again and we might or might not have to take up arms against Pakistan, but continuous defence preparations is the price we must pay for the safety of our liberty and the preservation of our territorial integrity. We have learnt our lesson and we do not propose to forget it It is our proposal that at the end of 1966-67, the first year of the Fourth Five Year Plan, we should have a well-equipped and modern army of 30,00,000 combatants We can decide our future defence plans when we have reached this target

Chapter III

THE ANATOMY OF INDIA'S DEFENCE BUDGET AT THE LEVEL OF TOTAL MOBILIZATION

In order to be able to translate in monetary terms the military preparedness of the country of different orders, it is necessary to analyse the elements of defence cost and study the structure of a war budget of India We would attend to this task in the present Chapter

ANATOMY OF INDIA'S DEFENCE BUDGET

The anatomy of a defence budget for our country during a state of belligerency can be designed on the basis of the experience gathered abroad, with possible adjustments for meeting the changing requirements of modern defence and other relevant factors, and our own experience of the past We, on our part, have taken the experience of U S A for the year 1944 as our guide, and we take note of the significant fact that about 25% of munitions production in that country was meant for meeting foreign needs We have also taken guidance from the (1951-1955) model of resource mobilization for that country formulated by Tiber Scitovsky, Edward Shaw and Lorie Tarshis, paying special attention to the figures for the year 1955 which was the peak year of mobilization in that model In other words, we select the Scitovsky figures for the year 1955 as our principal basis after making a minus adjustment of 25% in respect of arms, ammunitions and other hardware The results have been presented in Table 2

It would be seen from the last column of Table 2 that 72% of a war budget is devoted to arms, ammunitions and other military hardware. Most of the expenditure in a state of total mobilization is incurred on this item Very roughly, out of every Rs 4 spent on defence, Rs 3 have to be spent on arms, ammunitions and other hardware The remaining 28% of the war budget is spent on wages of combatants and civilian personnel used for

military purposes, and on the feeding and clothing of men and officers The individual percentages for these two heads come to 25% and 3% respectively. We, of course, have to allow the possibility of adjustments between the financial allocations made on the above basis through the reappropriation procedure according to needs or experience.

TABLE 2

Expenditure on Armed Forces in U. S A

(At 1950 Prices)

Particulars	1944 Actuals		1944 Actuals minus 1/4 of Expenditure on Munitions Etc		1955 Proposals for Total Mobilization		1955 Proposals minus 1/4 of Expenditure on Munitions Etc		Percentages Adopted by Us
	$ Bn	%	$ Bn	%	$ Bn	%	$ Bn	%	%
1. Munitions and Other Hardware	99	**73**	75	**74**	174	**77**	130	**72**	**72**
2 Wages }					46	**21**	46	**25**	**25**
3 Food and Clothing }	36	**27**	36	**26**	5	**2**	5	**3**	**3**
	135	**100**	101	**100**	225	**100**	181	**100**	**100**

In order that we may apply this scale and cost distribution pattern to the size and structure of India's defence budget at the level of total mobilization, we may take the wage element as our primary base The amount provided for wages in India's defence

expenditure for any recent, preferably normal year, might, therefore, be ascertained We take the figures for the year 1958-59 Our calculations suggest that 65% of the defence expenditure in India is normally spent on wages, training, and food and clothing normally issued to the military personnel This percentage figure has been derived from the audited Finance Accounts of the Central Government for the year 1958-59 The expenditure on defence has been analyzed in Table 3 given below.

TABLE 3

Analysis of Military Expenditure in

(1958-59[1])

(Rs. Cr)

Items of Expenditure	Army	Navy	Air Force	Total	Percentage of Total
1. Army/Navy/Air Force	52·61	3·52	7·86	63 99	21·4
2 Territorial Army/Reserve Etc	1·84	0·01	0·03	1 88	0·6
3 Civilians	24 42	2·95	2·50	29 87	10·0
4 Transportation Etc	16 44	0·77	1·95	19 16	6·4
5 Manufacturing Establishments	16 59			16 59	5·6
6 Stores	36·00	4·10	15 31	55 41	18·6
7 Works	9·50	0·96	2·62	13 08	4 4
8 Charges in England	4·65	4 03	46·98	55·66	18 7
9 Loss or Gain by Exchange			0 08	0·09	
	162·05	16·34	77 33	255·73	85·7
10 Non-Effective Charges	13·84	20·54	8·47	42·85	14·3
Charges in England				0·04	
Total	175 89	36 88	85·80	298 62	100·0

It would appear that the amount spent on defence in 1958-59 was Rs 298 62 crores and the amount spent on wages, inclusive

[1] Source *Central Government Finance Accounts* (1955-56 to 1958-59), *Part IV*, 1958-59 *and the Audit Report* 1960, Delhi Government of India, Manager of Publications, 1960, pp 229-232

of training and food and clothing of normal issue, came to Rs. 194.29 crores as has been shown in the Table 4. We presume that charges in England include mostly expenses on the training of military personnel, that non-effective charges are of the nature of payments to military people, and that the territorial army would expand at least proportionate to the military strength of the nation. We, therefore, conclude that 65% of the total defence budget of India at peace level would consist of what might very broadly be called wages

TABLE 4

Expenditure on Wages, Etc, in Defence Budget

(1958-59)

Heads of Expenditure	Rs Cr	Percentage of Total
Army, Navy and Air Force	63 99	21 4
Territorial Army Reserve, etc	1 88	0.6
Civilians	29 87	10.0
Charges in England	55 66	18 7
Non-effective Charges	42 89	14.3
	194 29	65 0

On this basis, the wage element included in the 1962-63 budget (in respect of 5 lac combatants) can be presumed to be 65% of the total amount of the budget[a] It comes to 65% of Rs 343 crores=Rs 223 crores The average expenditure per man and officer of all the three wings on wages, associated civilian services, normal issue of food and clothing, and training, comes to Rs 4,460 per year. We may presume this to be the level of wage

[a] The figure for 1962-63 has been taken as basis because defence expenditure from the year 1963-64 began to rise sharply involving presumably greater expenditure on military equipment and hardware The price rise since 1962-63 has been excluded from calculations for the sake of simplicity

payment in a condition of total mobilization The wages in respect of 30 lac combatants, for instance, would amount to Rs 1,338 crores

Taking the figure of wage per head (Rs. 4,460 p a.) as our base, we can get the size of our war budget by blowing up this figure four times on the basis of American experience. For instance, a striking power of 5 lacs at fighting level should cost Rs 223 cr. x 4=Rs 892 cr. A *striking force of 30 lacs would* work out at four times of Rs 1,338 crores (the wage element mentioned above) or Rs 5,352 crores or approximately Rs 5,400 crores

The above figure of expenditure on wages, etc , is inclusive of food and clothing normally issued to men (not officers), but as the whole of the military personnel will have to be fed, clad and equipped in a state of war and for mountain warfare, we shall have to provide an additional sum for this purpose. Expenditure on food and clothing in U S A , which has a higher level of pay structure, comes to 3% of the war budget in a condition of total mobilization. In a poor country like India where food constitutes the bulk of the family budget expenditure at lower levels of income, this figure would naturally be higher. We assume that the additional expenditure on food, clothing and equipment (exclusive of arms and ammunitions) of the military personnel on a war footing and for mountain warfare would be equal to 3% of defence budget. In other words, we have to make a provision of Rs. 536 per capita for this purpose For a striking power of 30 lac combatants, we will have to make provision of Rs. 161 crores approximately

Expenditure on arms, ammunitions and other hardware constitutes 72% of the total war budget The figure in India would come to Rs. 13,004 per man and officer per annum It would amount, in respect of a striking power of 30 lac combatants, to about Rs. 3,901 crores.

It must be mentioned here that nobody can predict with any amount of exactitude what would be the expenditure on arms and

ammunitions when a major war is being fought If a war is ferocious and our army happens to suffer setbacks, the loss of munitions can be enormous If, on the contrary, we give a licking to the enemy, our consumption of arms and ammunitions may not necessarily be so very heavy Theoretically, in the latter case, we might even add to our stock by capturing the enemy's stores. In spite of all these inherent uncertainties, we have to make some definite financial provision for this item in planning for national defence One guess is as good as another, but if we base our figure on the American experience, it might be better than no base at all We have, therefore, adopted this course.

The structure of our defence budget for 30 lac combatants has been shown in Table 5 below

TABLE 5

Structure of India's Defence Budget (30 *Lac Combatants*)

Items	Rs Cr	Per Capita Rs	Percentage of Total
1 Wages of Combatants, Civilians, Food and Clothing, Training Etc	1,338	4,460	25
2. Additional Expenditure on Food, Clothing and Equipment	161	536	3
3 Arms, Ammunitions and Other Hardware	3,901	13,004	72
	5,400	18,000	100

This table is merely illustrative Expenditure per capita on each item has been seperately given so that financial figures for any size of military strength may be conveniently worked out.

ALTERNATIVE DEFENCE OBJECTIVES

In the light of the above study of the anatomy of the defence budget of India at war level, we can further examine the relevance and implications of the objectives of raising a striking power of 30 lac combatants in state of ready-to-fight preparedness.

A HISTORICAL PARALLEL

Our proposal does not seem to be wide of the mark During the period of the Second World War, India's defence expenditure, which was Rs 46 10 crore in 1938-39, began mounting up especially after the entry of Japan into war in 1939-40 and reached the peak figure of Rs 896·16 crores in 1944-45 which was the last full

TABLE 6[3]

Defence Expenditure in India in 1938-39 and 1944-45

Particulars	1938-39	1944-45
1. *Defence Expenditure on India's Account*	46·18	458·32
(a) On Capital a/c		62·83
(b) Revenue a/c	46·18	395·49
(i) Basic Normal Budget	38·07	36·77
(ii) Rise in Prices		18·73
(iii) War Measures (Net)		330·61
(iv) Non-effective Charges	8·11	9·38
2. *Recoverable War Expenditure*		410·84
3. *Total Defence Expenditure*		869·16

year of the war. The expenditure on India's account was Rs 458 32 crores and the recoverable war expenditure was

[3] Reserve Bank of India, *Report on Currency and Finance for the Year* 1947-48, Bombay, 1948, p 74

Rs 410·84 crores The latter expenditure was debited to the account of the British Government according to the Financial Settlement which came to an end in 1947 In other words, the total defence expenditure was 19 times the expenditure in 1938-39. If India's defence expenditure is stepped up 19 times of the peacetime level of Rs. 343 crores., it would come to Rs. 6,500 crores approximately. This is more, than the total mobilization of Rs 5,400 crores proposed by us. The expenditure on India's account had, however, increased only ten times, which is substantially less than the sixteen times expansion involved in our proposal

It is true that the situation of India during the poriod of the Second World War was different from the present situation. India was at that time fighting in various operational theatres outside her territory in the Far East, Middle East, Africa and Europe. The British element in the Indian military was, again, high at that time Such considerations are, however, offset by other factors. We do not now enjoy the protection of the British arms automatically Our northern and north-western frontiers are very long, open and alive which was not the case then It is not, therefore, very unrealistic to treat the two situations as parallel to each other from the point of view of the required degree of military preparedness Private consultations with some competent persons have led us to the conclusion that for military preparedness on war basis along the whole range of our northern land frontiers, we might need more, and not less, striking power than what was built up during the period of the Second World War by this country

ALTERNATIVE OBJECTIVES

We will like to mention, again, that we do not seek to commit the nation to a Defence Budget of Rs 5,400 crores in the year 1966-67 in a rigid or dogmatic manner Our position is that if we wish to have a striking power of 30 lac combatants on a war basis, that is to say, on the basis of their engagement in a major war, we should mobilize resources worth Rs 5,400 crores at 1960-61 prices

TABLE 7

Key Chart of Alternative Defence Objectives

Objective	Striking Power (Combatants)	1 Peace Level Total	Peace Level Round Figure	2 Fighting Level Wages	Food & Clothing	Arms, etc	Total
A1	5 Lac	343	300				
A2	5 Lac			223	27	650	900
B1	10 Lac	686	700				
B2	10 Lac			446	54	1,300	1,800
C1	15 Lac	1,029	1,000				
C2	15 Lac			669	81	1,950	2,700
D1	20 Lac	1,372	1,400				
D2	20 Lac			892	108	2,600	3,600
E1	25 Lac	1,715	1,700				
E2	25 Lac			1,115	135	3,250	4,500
F1	30 Lac	2,058	2,100				
F2	30 Lac			1,338	161	3,901	5,400
G1	35 Lac	2,401	2,400				
G2	35 Lac			1,561	189	4,550	6,300
H1	40 Lac	2,744	2,700				
H2	40 Lac			1,784	216	5,200	7,200

In case the military and political judgment is that this level of preparedness is not necessary, we will need to mobilize resources only of a smaller order On the contrary, if the military preparedness of the country has to be better, larger resources shall have to be mobilized In view of these facts, it would be better to give a matrix of a number of possible alternatives from which any one may be finally chosen as our military objective. We have indicated in Chapter 2 that there

can be sixteen possible defence objectives for the country's choice. The defence cost in each of these cases has been shown in Table 7 given above It starts with 5 lac combatants equipped at peace level (the position in 1962-63), and its defence cost comes to Rs 300 crores The cost of maintaining 30 lac combatants equipped at fighting level (our proposal for 1966-67) amounts to Rs 5,400 crores. The last defence objective shown in the table is 40 lac combatants at fighting level, which would cost Rs 7,200 crores

We may mention that in 1962 suggestions were made in responsible quarters for having a Defence Budget of Rs. 700 crores to Rs 1,000 crores only, and we would not be surprised if similar suggestions are now being made or considered. Therefore, we wish to make it clear that such a budget would enable the country to have a military build-up of only any one of the following magnitudes :

(*a*) 10 lac combatants equipped at peace level (Rs 700 cr)

(*b*) 15 lac combatants equipped at peace level (Rs 1,000 cr.)

(*c*) 5 lac combatants equipped at peace level and 2½ lac combatants equipped at war level (Rs. 793 cr)

(*d*) 5 lac combatants equipped at war level (Rs 900 cr)

(*e*) 2½ lac combatants equipped at peace level and 5 lac combatants equipped at war level (Rs. 1,071 cr)

If we have to choose from the five alternatives, the third or fourth alternative would perhaps be the best The first two have to be rejected straightway for obvious reasons.

We, however, continue our discussion on the presumption that nation's defence objective is to raise a striking power of 30 lac combatants equipped on war basis by March 31, 1967.

Chapter IV

THE STRATEGY OF MOBILIZATION

We now face the most strategic question: Is it possible to raise this enormous sum of Rs 5,400 crores during the year 1966-67 for defence purposes? Our reply is clearly and definitely in the affirmative. But before we explain how this sum can be raised, let us first lay down the general strategy of economic mobilization that may be adopted by the country.

AN OUTLINE OF MOBILIZATION STRATEGY

An ideal mobilization programme should yield the required resources without upsetting the activities which we consider to be of fundamental importance to the nation. The following appear to be proper criteria in this regard:

1. The Five Year Plans should be fulfilled as originally drawn up except that adjustments might be made in various directions for meeting defence needs in the event of sudden aggression but without violating the basic targets that have been set as far as possible.

2. The incremental national income proposed to be devoted for improving the consumption standards of the people in an economic plan should be diverted to meet the defence needs of the country.

3. Household consumption should be frozen at the level of the present family expenditure for the duration of the emergency.

4. Special reduction in varying degrees may be made in the consumption of a limited number of articles only which are less necessary but without causing unbearable hardships on consumers.

5. National ouput should be increased to meet war needs by increasing working hours by one hour daily.

6. National output should be further increased by additional employment to the extent of 15% of the existing force

7 Resources for defence may be mobilized through their diversion from certain other forms of employment, particularly (*a*) construction for residential and shopping purposes and (*b*) utilization of depreciation provision made in respect of machinery and other equipment in the corporate sector.

8 The country should try (*a*) to receive larger-scale military aid from friendly countries, and (*b*) to buy war supplies from foreign countries through purchases on payment Purchases should be made only when (*i*) this is the only method of getting war materials and (*ii*) we have the resources to pay their price. In a condition of war mobilization, receipt of war supplies on a large scale from foreign countries is a god-send, and its desirability is independent of the question as to whether this is done on purchase or grant basis. Whatever the idealistic or political dimensions involved in the matter, the end of mobilization would be better served by drawing upon the willingness of friendly countries to come to our help as well as using the purchase basis of importing war materials

We now make specific suggestions for raising resources to the extent of Rs 5,400 crores for defence purposes during the year 1966-67

RESTRAINT ON CONSUMPTION

The first method of finding funds for financing a war is putting a restraint on consumption Warring nations have in the past made considerable sacrifices in their civilian consumption to squeeze out the maximum that they could to win a war. India shall have to do the same However, we must guard

against any undue hardship which cannot be sustained for long. Happily we have been following the practice of economic planning; and we have assumed that planned development would be continued as usual at the time when the economy is being mobilized for defence. The development of the economy while it is supplying the sinews of war should prevent any serious erosion in our standards of living.

Our suggestions regarding putting a restraint on consumption are mainly three :

(i) Consumption Freeze,

(ii) Special Reduction in Consumption of Selected Commodities, and

(iii) Economy in Government Expenditure.

1. CONSUMPTION FREEZE AT 1964-65 LEVEL

Our proposal is that the family expenditure in India should be frozen, as an aggregate, at the level of private consumption in the year 1964-65 Perhaps people would be ready to make this much of sacrifice: it should not be very difficult to achieve this target The fact that the public have shown tremendous spirit in the hour of need both in 1962 and in 1965, and are prepared to bear up with hardships, is an extremely helpful sign. The axe would have to be employed not only on avoidable expenditure as on luxury goods and on durables but also on some essential expenditure We should take note of the fact that in poor communes in China, people eat meat and fish sometimes only thrice a year and take a restricted diet each day, willingly and voluntarily, in order that they may have good hospitals schools, houses for retired persons and productive machinery; and this has resulted in rapid economic and social progress. Perhaps we could do a little of this when our freedom is threatened

The consumption of the people in 1964-65 has been estimated by us to be Rs 14,900 crores (at 1960-61 prices) Our

proposal is that it should be kept frozen at this level for the duration of the emergency

If there is any doubt whether the public would be willing to make this much of sacrifice, let this matter be discussed frankly and freely in every city, village and *mohalla*, and let there be a franchise on this subject This would also commit the people to this objective, sharpen their realization of its necessity, and evoke their co-operation in measures devised to realise it

The Availability of Resources. The implications of this apparently simple and therefore readily acceptable suggestions are, however, very significant from the point of view of resource mobilization It implies that any income beyond the familial consumption expenditure incurred in 1964-65 should not be spent it may be hoarded, or invested in defence securities, or given as donation to national defence fund While the consumption expenditure per family would thus get frozen, the personal incomes would keep on rising as development plans are executed and yield returns The result would be that the diversible surplus of family incomes over family consumption of 1964-65 would be a progressively increasing quantity, and this would be available for financing defence efforts Thus, this proposal only means that families will forgo the expenditure of additional incomes that will accrue to them, but no reduction is anticipated in the absolute amount that they spent on consumption in the year 1964-65

According to the quick estimate made by the Central Statistical Organization for the year 1964-65, the national income of India at 1948-49 price was Rs 14,930 crores The figure at 1960-61 prices amounts to about Rs 17,000 crores. Out of this, the amount spent on consumption at 1960-61 prices has been estimated by us as Rs 14,900 crores In the year 1965-66, the national income of India is likely to be Rs 18,000 crores, so that its consumption element would be about Rs. 15,700 If familial consumption remains at the 1964-65 level of Rs 14,900 crores, the excess of income over consumption would

amount to Rs 800 crores For the year 1966-67 this diversible surplus might amount to Rs 1,736 crores The calculations for other years have been shown in Table 8

TABLE 8

Release of Resources from Plan Provision for Consumption through Consumption Freeze at 1964-65 Level

(At 1960-61 Prices)

(Rs Cr.)

Year	National Income[1]	Provision for consumption in Plans[2]	Diversible Surplus=Excess over 1964-65 Consumption	Round Figure of Diversible Surplus
1963-64	15,900	13,900	.	
1964-65	17,000	14,900		
1965-66	18,000	15,700	800	400 (6 months)
1966-67	19,170	16,636	1,736	1,700
1967-68	20,418	17,634	2,734	2,700
1968-69	21,714	18,695	3,795	3,800
1969-70	23,161	19,829	4,921	4,900
1970-71	24,708	21,068	6,167	6,200

The Effect of Increasing Population. Another important implication of our suggestion is that the families will have to take care of additions to their membership (or increase in population) out of a sum equal to their consumption expenditure in the year 1964-65; and it is in this form that they will have to tighten their belt.

The annual increase in population is estimated at 2 5% during the period of the Fourth Plan This means that the stand-

[1] Figure for 1963-64 is still preliminary Figure for 1964-65 is according to the quick estimate of C S O , and the figure for 1965-66 is our own very rough estimate Figures for subsequent years have been obtained by a 6½% annual step-up

[2] Estimated on the assumption that distribution of incremental national income on consumption and investment would be the same as in the Third Plan.

ard of living would decline roughly by 2 5% in 1966-67, by 5% in 1967-68, and so forth

This can be explained very clearly in terms of per capita consumption which will progressively decline as population rises. This has been shown in Table 9 given below

TABLE 9

Per Capita Consumption at 1960-61 Price Level

Consequent upon Consumption Freeze

Year	Consumption Expenditure (Rs Cr)	Population (Crores)[3]	Per Capita Consumption Expenditure (Rs Cr)
1963-64	13,900	46 2	301
1964-65	14,900	47·3	315
1965-66	14,900	48·4	308
1966-67	14,900	49·5	301
1967-68	14,900	50 8	293
1968-69	14,900	52 1	286
1969-70	14,900	53 4	279
1970-71	14,900	54 7	270

If our proposal is accepted and is implemented in the year 1965-66, consumption expenditure will come down from Rs 315 to Rs 308 In 1966-67, for which we have given the mobilization model, the consumption expenditure per capita will come down further to Rs 301 which would be equivalent to the standard attained in 1963-64 If the proposal is implemented right through the entire period of the fourth Five Year Plan, the consumption expenditure per capita in 1970-71 will be Rs 270 only which was the position in 1955-56, the first year of the Second Five Year Plan.

[3] These are very rough calculations and are subject to slight correction except the figure for 1966-67 which is accepted by the Planning Commission.

2. SPECIAL REDUCTION IN THE CONSUMPTION OF CERTAIN ARTICLES

Resources can also be secured by a special reduction in the consumption of certain articles, which is not likely to cause an unbearable hardship to the people A country which is fighting a major war usually applies an axe on avoidable expenditure on luxury goods, durables like cars and furniture, and so on The margin for this sort of austerity is limited in India because avoidable consumption items are few and figure in a small number of family budgets. Yet it is not absent.

TABLE 10

Special Reduction in Personal Consumption of Twelve Items

(*At* 1960-61 *Prices*)

	Items	Total Value of Supplies 1965-66 (Rs Cr)	Personal Consumption in 1965-66 (Rs Cr)	Suggested Rate of Special Reduction	Reduction in Personal Consumption (Rs Cr)
1	Automobiles and Accessories	299 4	40 0	40%	16 0
2	Electrical Consumption Goods	89 4	77 4	40%	31 0
3	Artificial Fibre, Silk and Yarn	187 0	70 0	40%	28 0
4	Woollen Goods	88 1	38 0	40%	15 2
5	Bicycles and Accessories	39 3	29 3	25%	7 3
6	Rubber Tyres and Tubes	143 4	25 0	25%	6 2
7	Footwear	54 2	49 2	25%	12 3
8	Cotton Textiles	736 3	606 3	10%	60 6
9.	Manufactures of Small-Scale Industries	2,650 0	1,831 0	10%	183 1
10	Vegetable Oil and Vanaspati	224 5	165 4	10%	16 5
11.	Power	216 7	25 0	10%	2 5
12.	Railway and Motor Transport	1,122 1	591 1	10%	59 1
					387 8

We can select a dozen most eligible candidates from the family budgets of our people for this purpose, and our own tentative list would include the following items (*i*) automobiles and accessories, (*ii*) electrical consumption goods, (*iii*) artificial fibre, silk and yarn, (*iv*) rubber tyres and tubes, (*v*) footwear, (*vi*) coton textiles, (*vii*) manufactures of small-scale industries, (*viii*) vegetable oil, (*ix*) power and (*x*) rail and road transport. If we impose a special cut on the personal consumption of these articles, the results may be something as shown in Table 10

The table relates to the year 1965-66, but in view of the fact that the Third Plan may not be able to attain all the targets, these figures may be assumed to relate to the year 1966-67 However, it is meant only to be suggestive. Even so, it indicates the possibility of a further saving of approximately Rs. 400 crores per annum The expansion of these industries would presumably continue and their surplus output used for export or/and defence purposes and, therefore, it seems that this saving might increase year after year

TABLE 11

Release of Resources through Restraint on Personal Consumption

(Rs Cr)

Year	Through Consumption Freeze	Through Special Reduction in Consumption	Total
1965-66 (6 months)	400	200	600
1966-67	1,700	400	2,100
1967-68	2,700	400	3,100
1968-69	3,800	400	4,200
1969-70	4,900	400	5,300
1970-71	6,200	400	6,600

It may be noticed that our proposal for a special reduction *in the consumption of the selected dozen articles applies only* to personal consumption and leaves the supplies used for further production, for Government purposes, for gross fixed investment, for adding to inventory and for exports unaffected This will be clear if columns 2 and 3 of Table 10 are read together.

If the saving of resources through special reduction of consumption is allowed to stand at Rs 400 crores per annum, the final calculations of saving from personal consumption stand as shown in Table 11

The final estimates of the resources that can be saved from consumption discipline in the context of the Fourth Plan indicate that the magnitude of mobilizable resources is Rs. 2,100 cr. to Rs 6,600 crores It should be repeated that, broadly speaking, it is mainly the provision made in the Plan for raising consumption standards of the people, which can now be diverted for strengthening national defence.

TABLE 12

Resources Available through Making Economy in Administrative Expenditure of the Central and State Governments

(Rs. Cr.)

Year	Central Government Expenditure			State Government Revenue Expenditure	Total	0% of Total
	Revenue Expenditure	Defence Expenditure	Balance			
1965-66 (6 months)	1,952	749	1,203	1,841	3,044	152
1966-67			1,354	1,965	3,319	332
1967-68			1,505	2,089	3,594	359
1968-69						400
1969-70						400
1970-71						400

3. REDUCTION IN GOVERNMENT EXPENDITURE

The Government should also endeavour to economise in all possible ways in its day-to-day expenditure It is clear that there can be no question of making an economy in the investment outlay which, if anything, has to be increased and the same applies to defence expenditure. But in administrative expenditure, it should be possible to impose a cut and work on an economy basis A 10% reduction in the revenue expenditure of the Government (excluding defence) would yield about Rs. 300 crores per annum. The exact figures are given in Table 12.

This should discourage the disproportionate importance being currently attached to economy in Government expenditure as a source of war finance an impression seems to prevail that this should provide a big chunk of economic resources. This is a misconception as economy in Government expenditure is not likely to produce a sizable sum of money. Nevertheless, whatever economy can be made from this source, should be attempted It is also in the fitness of things that the Government sets an example before the public in ruthless elimination of avoidable expenditure. This should not, however, be carried too far, and administrative efficiency should not be allowed to be impaired Administrative efficiency needs actually to be toned up during an emergency

In conclusion, it would appear that a sum equal to Rs 2,400 can be secured through consumption restraint in 1966-67, Rs 3,500 crores in 1967-68 and Rs 4,600 crores in 1968-69

INCREASED PRODUCTION

While maximum possible amount of resources must be mobilized through placing reasonable restraints on consumption which do not hopefully subject citizenry to undue hardships, it would be a very imperfect mobilization, indeed, which does not attempt to stretch the capacity of its productive mechanism to its utmost for supplying the various theatres of war. The

Indian economy has considerable stretchability to meet an emergency and its productive capacity should be geared to a high pitch in this hour of need. On the one hand, daily working hours should be increased and, on the other, additional employment should be generated.

Our estimates of resource mobilization through increased production rest on certain basic propositions. These postulates are that (*a*) working hours would be increased by 12%-16%, (*b*) that employment would rise by 15%, (*c*) that the vacation time would be reduced by 5%-25%, (*d*) that productivity of additional working force would decline by about one-third in the urban sector, and (*e*) that no increase in either productivity or production would take place in the agricultural sector.

4. INCREASE IN THE LENGTH OF WORKING HOURS

In every country involved in a major war, daily working hours are lengthened so that people produce a larger national output through more work. If the Indian people living in urban areas can increase their work by one hour per working day, which does not seem to be an unbearable strain when freedom is threatened, it would increase daily man-hours to the tune of one-sixth of these man-hours or by 16% thereof, assuming that working hours are six. This should increase our national output, though not in all probability by 16% because of the fatigue and loss in efficiency which long working hours over a long period of time must inevitably cause and the impossibility of enforcing this propramme on the entire urban manpower equally effectively. We may, however, put the increase in national output quite reasonably and realistically at 10%.

It is doubtful if this programme of increasing output can be fully carried out in rural areas where agriculture, animal husbandry, fishery and forestry are concentrated but where there are well-known and experienced constraints on increasing output. We should not be pessimistic when we think of rural areas which have shown a wonderful sense of duty and sacrifice in the 1962 and 1965 emergencies, but in order to keep our model conserva-

tively realistic and retain a safety margin in it, we prefer to take this attitude and make the assumption that rural output would not increase. In practice, every endeavour should be made to make rural manpower work for longer periods, and it is certain that the national emergency would succeed in toning up our rural economy. But we have presumed, on a conservative basis, that increased production would be realized in non-agricultural sectors only The extent of the availability of resources would then be as given in Table 13 For the period of the Fourth Five Year Plan, the resources that can be mobilized vary between Rs. 1,100 crores and Rs 1,400 crores

TABLE 13

Resources Mobilized by Increasing Working Hours

(Rs. Cr.)

Year	Gross Product	Agricultural Output[4]	Non-Agricultural Output	Availability of Resources	Round Figures of Availability of Resources
1965-66 (6 months)	18,000	7,300	10,700	535	500
1966-67	19,170	8,626	10,544	1,054	1,100
1967-68	20,418	9,189	11,229	1,123	1,100
1968-69	21,744	9,783		1,196	1,200
1969-70	23,161	10,422	12,739	1,274	1,300
1970-71	24,708	11,119	13,589	1,359	1,400

5. ADDITIONAL EMPLOYMENT

Another standard method of increasing production for meeting defence needs is to increase the volume of employment Employment during war period is increased somewhere between 15% and 20%. It is, however, proposed by us that we try to increase employment to the extent of 15% of working force employed in the urban sector But as new entrants to working force are likely to be inexperienced and the efficiency of equipment and organization might also fall below normal, we should expect national output to increase only by 10%

[4] It has been assumed that 45% of gross product will originate in agricultural sector

We may take into account only the urban manpower and assume that increased production in rural sector though a reduction of unemployment and under-employment would be zero. This is, of course, unrealistic, but it would add to the reliability of our proposals.

It may be noted that additionally employed manpower would increase output by 10% if it works for the normal working hours, but if it works one hour more per day, the increase in output would be 11% On these calculations, the addition to gross national output would be as shown below .

Year	Amount (Rs. Cr)	Round Figure (Rs. Cr.)
1965-66 (6 months)	590	600
1966-67	1,159	1,200
1967-68	1,235	1,200
1968-69	1,316	1,300
1969-70	1,401	1,400
1970-71	1,495	1,400

Increased employment would necessitate an increase in associated productive resources, principally machinery, factory buildings and raw materials Their supplies would in some cases increase as a result of increased employment, and the utilization of idle capacity and working double or treble shifts would also help But for the balance of our needs, we would have to depend upon imports of normal trade variety or of military character In the context of broad aggregates which we are considering, this is a matter of detail

6. CURTAILING VACATION TIME

Another method of increasing production is to curtail the vacation time. The number of off-days from work enjoyed by us is traditionally big, it is much bigger than in other countries of the world. There has been a feeling in the country that we

live from holiday to holiday, and something should be done to increase the number of working days in a year.

We, therefore, believe that there will be general agreement that the large number of holidays that we traditionally enjoy should be curtailed during the period of emergency in aid of defence efforts. The best expression of our resolve to defend the nation would be to work more rather than enjoy more leisure. Table 14 gives a very rough idea of the leisure that our people enjoy by way of holidays. A modest proposal would be to delete Saturdays from the list of holidays and to make one Sunday a working day. The working days of universities and other

TABLE 14

Holidays in India

	Particulars	No of Working Days	Sundays	Other Holidays	Remarks
1	Universities	205	52	105	
2	High Courts	208	52	69	Saturdays and 17 Public Holidays
3	Governmen Offices	270	52	43	13 Saturdays, 17 Public Holidays and 13 Restricted Holidays
4	Factory Workers	296	52	17	Public Holidays

educational institutions should be increased by curtailing summer vacation also It would be desirable to set definite norms of working days for each class somewhat on the following lines

(*a*) For universities, high courts, etc 250 days

(*b*) For white-collar workers 290 days

(*c*) For blue-collar workers 310 days

This measure would also add to national output However, while we take note of the fact that this possibility of resource mobilization exists, we do not propose to take this into account.

It can be utilized if and when there is a shortfall of resources from any of the other sectors indicated by us.

CONCLUSION

Production can, as such, be increased for defence purposes to the extent shown in Table 15.

TABLE 15

Resorce Mobilization through Increased Production

(Rs. Cr.)

Year	Through Longer Working Hours	Through Additional Employment	Total
1965-66 (6 months)	500	600	1,100
1966-67	1,100	1,200	2,300
1967-68	1,100	1,200	2,300
1968-69	1,200	1,300	2,500
1969-70	1,300	1,400	2,700
1970-71	1,400	1,400	2,800

DIVERSION OF RESOURCES

The last method of resource mobilization is to divert some of the resources currently employed in civilian uses to defence purposes, without, of course, dislocating the smooth functioning of production or consumption sectors Two such sectors are construction and provision for depreciation

7. SAVING FROM CONSTRUCTION

Gross fixed capital formation in construction in India amounted in 1960-61 to Rs 1,850 crores, composed of Rs. 1,300 crores worth of construction proper and Rs 550 crores worth of other works like reclamation, land improvement, digging of wells, development of other irrigation resources, construction

of farm houses and rural residential houses, etc , The division of this gross fixed capital formation as between the public and private sectors amounted to Rs 700 crores and Rs 1,100 crores respectively.

It would be desirable to discourage construction of houses residential projects for the duration of the emergency so that construction materials may be used for defence constructions As a matter of fact, this was one of the first steps taken by the Government of India to mobilize resources to meet the Chinese aggression in 1962

We have to estimate saving from reduced construction separately from consumption restraint, because in national income accounts new constructions figure as gross fixed investment and not as personal consumption Let us presume that (*a*) the volume of public construction (Rs. 700 cr) would not be reduced, (*b*) that "other works" (Rs. 550) would also remain unaffected, and (*c*) that there is no overlapping between these two items This leaves us with construcion work of the value of Rs. 600 cr p a. to which we can apply an axe If this expenditure is reduced by half, construction resources would be diverted from residential and shopping projects to factory, roads and other defence projects. This diversion would amount Rs. 300 crores

Public construction of peacetime pattern could be given a defence orientation at least to the extent of 25% or Rs. 175 cr. approximately. The aggregate mobilization of resources from construction can, therefore, amount to Rs 475 crores.

This calculation is based on 1960-61 figure of construction. Since then construction acivities must have been greatly accelerated [5] On the assumption that the construction activities have increased and would increase in the same proportion as

[5] More than half of capital formation in a developing economy consists of work in building and construction See W Arther Lewis, *The Theory of Economic Growth*, London George Allen & Urwin, 1957, p 208

national income, the resource availability position emerges as shown in Table 16

TABLE 16

Resource Mobilization from Construction Sector

(Rs Cr)

Year	Private Construction		Public Construction		Total Saving	
	Amount	50%	Amount	25%	Exact Figure	Round Figure
1960-61	600		700			
1965-66	786		917			
(6 months)		196		117	313	300
1966-67	837	418	977	244	662	700
1967-68	891	445	1,041	260	705	700
1968-69	950	475	1,109	277	752	800
1969-70	1,012	506	1,177	294	800	800
1970-71	1,078	539	1,255	314	853	900

8. DEPRECIATION FREEZE

Another source from which resources can be mobilized is a depreciation freeze, that is to say, the requirement that accretions to Depreciation Fund be partly invested in defence securities This is not only justified on the ground that national security must be the first concern of all citizens and that this measure merely postpones the use of funds husbanded for replacement of equipment, but also for the reason that replacement from abroad can hardly be permitted during war time save for purposes of national security

The total depreciation in India during the year 1960-61 has been estimated at Rs 1,000 crores However, this is the figure used in respect of depreciation of buildings and machinery for estimating national income, and is not the actual provision made in the accounts of business enterprises The figure of depreciation provision made in the corporate sector alone is available it came to Rs 100 cr approximately in the year 1959.

In order to ascertain the amount of depreciation provision made in subsequent years, we may calculate its buoyancy in the decade preceding 1959. It comes to 13% per annum during this period The buoyancy in the quinquennium preceding 1959 comes to 10%. Therefore, we accept a 10% increase as the annual buoyancy of depreciation provision in the corporate sector We further suggest that 50% of the depreciation provision should be frozen in the sense that it may be required to be invested in defence securities The calculations have been presented in Table 17

TABLE 17

Resources Secured Through Depreciation Freeze

(Rs Cr.)

Year	Estimated Depreciation Provision	Amount Available for Defence Mobilization	Round Figure
1965 66 (6 months)	160	40	..
1966 67	170	85	100
1967 68	180	90	100
1968 69	190	95	100
1969 70	200	100	100
1970 71	210	105	100

The resources which can be mobilized through diversion are shown in Table 18 below

THE FINAL CALCULATION OF DOMESTIC MOBILIZATION

We may now make a final calculation of the extent of domestic mobilization which is within the capacity of the Indian economy This is shown in Table 19

TABLE 18

Resource Mobilization through Diversion

(Rs. Cr.)

Year	Construction Sector	Depreciation Freeze	Total
1965 66 (6 months)	300	40	340
1966 67	700	100	800
1967 68	700	100	800
1968 69	800	100	900
1969 70	800	100	900
1970 71	900	100	1,000

It may be pointed out that the new resources will considerably swell up the existing provision for defence expenditure in the Revenue Budget for 1965-66 of the Central Government. Boardly speaking, then, the resources for the defence of the country can be procured by consumption constraint, increased production, reshuffling of fixed investment and the existing provision in Revenue Budget The respective place of these sources in the war finance for 1966-67 comes to 39%, 37%, 13% and 11%. The details have been worked out in Table 20 given below.

TABLE 20

Sources of War Finance, 1966-67

Major Source	Approximate Amount (Rs. Cr.)	Percentage Distribution
1. Consumption Restraint	2,400	39
2. Increased Production	2,300	37
3. Reshuffling of Fixed Investment	800	13
4. Existing Provision in Revenue Budget	700	11
	6,200	100

TABLE 19

The Pattern of Defence Mobilization

(Rs Cr)

Source	1965-66 (6 months)	1966-67	1967-68	1968-69	1969-70	1970-71
A *Restraint on Consumption*						
1 Consumption Freeze at 1964-65 Level	400	1,700	2,700	3,800	4,900	6,200
2 Special Reduction in Consumption	200	400	400	400	400	400
3 Economy in Government Expenditure	150	300	400	400	400	400
	750	2,400	3,500	4,600	5,700	7,000
B *Increased Production*						
4 Longer Working Hours	500	1,100	1,100	1,200	1,300	1,400
5 Additional Employment	600	1,200	1,200	1,300	1,400	1,400
6 Curtailment of Vacation						
	1,100	2,300	2,300	2,500	2,700	2,800
C *Diversion of Resources*						
7 Construction	300	700	700	800	800	900
8 Depreciation Freeze	40	100	100	100	100	100
	340	800	800	900	900	1,000
TOTAL	2,490	5,500	6,600	8,000	9,300	10,800

FOREIGN MILITARY AID

We should make every endeavour to receive military aid from foreign countries on a massive scale with immediate effect. If the western democracies show a capacity to distinguish between right and wrong and have the courage to stand by truth and fairness instead of being governed solely by self-interest, and if they do not wish to forsake their long-range stake in the preservation of freedom and democratic values throughout the globe in favour of immediate but doubtful gains which submission to opportunistic diplomacy can yield, they must start giving substantial military aid to India and help her to build up effective defensive strength Pakistan's hostility to India, on which that country has been fed since 1947, has now reached a point where propaganda stuff has taken the place of truth. The domestic success of political propaganda has encouraged Pakistan to try it out on foreign countries and, helped by military alliances, opportunistic diplomacy, bellicose attitude and flexible conscience, it seems to be succeeding While India considers this disregard for truth by world powers and their hesitation to stand by the side of righteousness as most unfortunate and while it must still pursue the course set by Mahatma Gandhi and Jawahar Lal Nehru, it cannot afford to ignore the hard facts of international diplomacy as they exist and influence her security and independence. The course that is open to her, as to western democracies, can be very simply stated India's relationship with western democracies would depend to a growing extent upon the latters' attitude towards Pakistan. At the moment, India feels that she might be driven to make a choice in the matter of friendship betwen western democracies and Soviet bloc. The western democracies should realise, if they have not already done so, that their diplomacy has brought them to a point where they must choose between India and Pakistan. In the Indian sub-continent, non-alignment is facing a most critical test today; and the outcome is dependent entirely on the attitude of western democracies towards Pakistan. It is absolutely clear to everybody that if non-alignment and democracy suffer a setback in

India, they would suffer a setback throughout the 80% part of the globe which is under-developed This would cause international tensions, weaken the chances of international peace and damage the influence of western democracies on the course of world events India considers this to be most unfortunate, but she also realises that you cannot push a nation too hard you cannot strain the ideological beliefs of a nation to the breaking point for too long.

There are many in India who cannot, and will not like to, forget the following hard facts

(*a*) That the Soviet Union has throughout supported India on the Kashmir issue, and the cause of international justice and national sovereignty

(*b*) That the Soviet Union is the only country which is reported to have declared that it would come to the aid of India if China attacks her, in spite of the fact that China is also a communistic country.

(*c*) That the Soviet Union is the only country which did not stop the supply of arms and ammunitions to India during the period of the present hostilities or after cease fire

(*d*) That (except for democratic values that India cherishes) there is much in the Soviet Union that excites the admiration of the Indian people in the pursuit of the goal of rapid economic development

It is quite clear that if the assessment of western democracies of their long-range self-interest is that they must retain the vanishing link with an opportunisitic and doubtful ally like Pakistan, even at the cost of secrificing the friendship of a non-militarily inclined but idealistically and emotionally fraternal country like India, and of other similar countries in due course of time, it is their choice But this is going to start a chain reaction the consequences of which might be dangerous in the

long run The starting point of this new political process is the growing conviction of India that she can look to the Soviet Union more hopefully than to free societies for preserving her beliefs in democracy and freedom the friendship of the Soviet Union is not so narrowly exacting or politically demanding.

Whatever the source from which we can get military aid, get we must so that we build up an effective defensive and striking power We suggest tentatively a target of Rs 1,000 crores in 1966-67, rising to Rs. 2,000 crores next year and then reaching a plateau thereafter. Foreign military aid can be allowed to taper off after the end of the third year of the Fourth Plan Period and it might be allowed to dry up altogether in 1970-71 We should be able to look after India's defence on the basis of our own domestic resources after that.

This, in our judgement, is essential if India is to bear the brunt of halting the Sino-Pakistan onslaught which is a threat not only to her but also to Asia and to the entire democratic world Although we have not taken this source of mobilization into account at all in our proposals, its great significance is obvious. To the extent that foreign military aid becomes available to India, she can build up her military might better and more rapidly. It means the saving of our scarce foreign exchange resources and, in fact, of augmenting them. Our need for a large military build-up is immediate and urgent, and the task can be considerably facilitated by a large-scale gift of arms, ammunitions and other military hardware received from friendly countries. Again, for increasing the production of war equipment domestically, which we must accomplish with utmost speed, we would need foreign machinery and equipment. To hope to fight a large-scale invasion on the strength of home-made arms and ammunitions alone is an apparent fool-hardiness. The need of preserving our territorial integrity should over-ride every hitch or diffidence on this point or even some of the ideals that we might have hitherto cherished in the past Our approach should be to get all the military supplies that we need to fight the present war from every possible source

domestic and foreign. This alone can meet the shortage of modern military equipment in the country

It would be actually unwise to remain without required arms and ammunitions on the plea that we ought not to allow private producers to manufacture arms and ammunitions. In an emergency, both public and private sectors should act as one to meet the defence needs This is not the time for sticking to the principles that do not have even the remotest application to a situation of national emergency as serious as we are facing, or might have to face, in near future

We do not think that it is practical politics to insist that India would not accept military aid from foreign countries gratuitously. Such an idealism can be consistent only with the psychology of a limited war effort and not with the resoluteness to fight the military might of ferocious adversaries We do not have the means to pay for the huge war supplies that we need; and we should not like the generations that would follow us to grow under the weight of heavy war debts which we incur. Our straight and clear policy should be to seek and obtain lend-lease arrangements wherever we can. We should also buy war materials from abroad when we can afford and when we must for prepare we must to defend our explosive frontiers on all sides

Chapter V

THE MECHANISM OF FISCAL MOBILIZATION

The above discussion shows that the Indian economy can be mobilized on a war footing and can yield physical resources to the extent of Rs 5,500 cr in the year 1966-67. We now address ourselves to the task of devising a mechanism or a pipe-line system which might help the conveyance of the monetary resources of this order from the people to the Government.

The Government would mobilize physical resources for national defence from the market in the form of purchases (except when the resources arise directly in the Government sector and can be internally impounded), which would result in an increase in money in circulation. It will then have to face up to the task of mopping up the money it has injected in circulation as this money must flow back to the Government in the interest of price structure and economic stability The acquisition by the Government of goods and services from the market is the physical aspect of defence mobilization, and the withdrawal of money from circulation is its monetary or fiscal aspect In an exchange economy, the physical and fiscal aspects of mobilization are two sides of the same medal, one cannot be separated from the other though both would not usually be of equal dimension

It is our calculation that the physical mobilization in the year 1966-67 would be of the order of Rs 5,500 crores, but it would give rise to a monetary mobilization problem of the order of Rs 4,750 crores only The reasons are that (a) Rs 300 crores would arise in the shape of economy in Government expenditure and would be internally impounded, (b) there would be direct diversion of resources to the extent of Rs 244 crores because public construction would be made defence-oriented to that extent, (c) additional resources worth Rs 172 crores would arise in sectors under Government control as a

result of an increase in working hours so that they can also be treated as internally impounded,[1] and (d) additional production arising in public sector enterprises is also easily and directly impoundable and can be put at the figure of Rs 34 crores to round off the final total This gives us a total of Rs 750 crores.

In fact, in a war economy the volume of physical mobilization tends to exceed the volume that can be actually mobilized through fiscal means, and it is this which puts undue strain on the price level and presses on inflationary tendencies It is this fact, again, which makes the mobilization of public enthusiasm for defence so very essential and invaluable

The principal instrument of monetary mobilization is the tax handle, which justifies the use of the term "fiscal mobilization" There is, however, a certain amount of nervousness in the public mind, and particularly among businessmen, when they hear of additional tax measures or gathering resources for defence But such reaction is based on the misapprehension that the axe will fall on *existing* personal incomes This is wrong because taxes will hit primarily the fresh money supplies injected in the economy or additions made to their incomes as a result of defence efforts Mobilization would, of course, mean (a) *sacrifice* to the extent of restraint on consumption that is imposed and accepted and (b) *effort* to the extent of additional work that will be contributed by the people to war effort But, in spite of this and in spite of the imposition of fresh taxation for defence, many will find their incomes considerably larger than before, and the real problem will be that they restrain their impulse to spend these enlarged incomes

We feel that to the extent that physical mobilization can take place without making addition to the money in circulation, it will be a good thing because to that extent the need of generating the counter process of fiscal mobilization would be obviated. Purely physical mobilization is an ideal situation in the context of a war economy

[1] These will arise in Railways (Rs 30 cr), Communications (Rs 7 cr), Other transport (Rs 5 cr) and Government service (Rs 130 cr)

FISCAL MOBILIZATION IN RESPECT OF ADDITIONAL PRODUCTION

FISCAL MOBILIZATION OF RESOURCES YIELDED BY INCREASING WORKING HOURS (B-4)

The fiscal instrument of mobilization in this case can be an Extra Labour Tax equal to the monetary value of effective (not gross) extra labour and a corresponding increase of profit on consequential output We illustrate the mobilization pattern below by taking each of the different sectors from which mobilization can be secured.

Factory Output The proposed tax should be equal to the labour cost and profit elements in the ex-factory value of the incremental output which takes place in the existing establishments by reason of longer working hours This additional output can be reserved exclusively for defence the Government can either use it directly for defence or sell or/and export it and use the proceeds for national defence The Government can, in that case, purchase the additional output by paying the

TABLE 21[2]

Analysis of Ex-factory Value of Manufactures, 1957

Particulars	Rs Cr	Percentage of Total
(i) Salaries and Wages	270	16
(ii) Fuel and Electricity	70	4
(iii) Materials	1,122	65
(iv) Transport and Communications	14	1
(v) Others	248	14
(vi) Ex-factory Value	1,724	100

ex-factory price *minus* the cost of labour and relative profit Another procedure can be to impose a tax on industrial enterprises equal to (a) 10% of the normal wage and salary bill (in lieu of additional labour) plus (b) profit on additional output

[2] S G Rao, *Twelfth Census of Indian Manufactures* 1957, Calcutta Central Statistical Organization, pp 1-4

calculated as a percentage of the value of the additional output According to the Twelfth Census of Indian Manufactures 1957, the composition of ex-factory value is as given in Table 21. It will be seen that salaries and wages amount on an average to 16% of ex-factory value, so that an additional working hour (which has been assumed to step up production by 10%) would have a monetary equivalent of 10% of the wage and salary bill or 1 6% of ex-factory value If we assume profit to be equal to 10% of the ex-factory value, the profit on additional output would be equal to 1/10 of the usual volume of profit, that is to say, 1% of the ex-factory value In other words, 2 6% of the ex-factory value of products and by-products manufactured by an industrial or power establishment can be collected by the Government The enterprises can then be left free to sell the additional output to Government or civilians or to export it

The total value of output of factory and power establishments in India in 1965-66 (at 1960-61 prices) should have been Rs 6,544 crores (exclusive of imports of Rs 824 cr and indirect taxes less subsidies of Rs 650 crores)[3] had the Third Plan been a complete success. As things stand, we may assume that this output would be realized in 1966-67 The Government can collect 2 6% of Rs 6,544 crores, that is to say, a sum of Rs 169 crores in 1966-67. It can impose an Extra Labour Tax on all power and factory enterprises equal to 2.6% of ex-factory value

Minerals and Oils In the case of mining industry, labour cost comes to much more than in manufacturing it is as high as 70% of the total cost[4] We have assumed that the total output would step up by 10% as a result of additional labour put in by each worker for one hour more per day It means that the Government can impose an Extra Labour Tax equal to 70% of additional output or 7% of total output We have further assumed profit to be 10% on ex-factory price, so that the

[3] W B Reddaway, *The Development of the Indian Economy*, London George Allen and Unwin, 1962, pp 176-77, Table A

[4] *The Report of the Coal Price Revision Committee of the Bengal-Bihar Coalfields and Outlying Coalfields*, Ministry of Steel, Mines and Fuel

profit element can be mobilized by collecting 10% on additional output or 0 7% on total output In other words, the Extra Labour Tax should be equal to 77% of additional output or 7 7% of total output

These industries were expected to produce goods worth Rs 532 crores in 1965-66 (exclusive of imports and indirect taxes),[5] had the Third Plan achieved its target, but since it has not, we may assume that this output would be achieved in 1966-67 Therefore, the likely yield from this source can be put at Rs. 41 crores during the year 1966-67 An Extra Labour Tax at the rate of 7 7% of the value of output can be imposed and the producers can be left free to sell the additional output to Government or civilians or to export In the alternative, the Government may reserve the additional output and may direct its disposal in terms of defence needs

New Constructions. The labour element in total cost of new constructions (buildings) in India comes to 25% though it is more in some other countries of Asia.[6] Therefore, an increase in the working hours of workers by one per day may be valued as equivalent to 2 6% of total cost As construction done on personal or small basis is hard to regulate, it would not be possible to provide a pipe-line everywhere in this sector through the medium of a tax on wage bill A tax on construction materials will, however, do this The problem is to mop up saving in the construction cost accruing in the public sector, which would be equal to Rs 977 crores (normal) plus Rs. 419 crores diverted from private sector, a total of Rs 1,396 crores, and that accruing in the private construction sector which would be of the order of Rs. 418 crores The amount that can be mopped up amounts to Rs 36 crores and Rs. 11 crores respectively

As indicated above, the most effective way of mobilizing this amount would be to impose an Extra Labour Tax on construction materials at the rate of 3 5% This amount can be

[5] W B Reddaway, *Op Cit*, Table A

[6] *Study on Building Costs in Asia and the Far East*, Bangkok ECAFE, United Nations, 1961, p 11 ff

collected at the time of issuing permits for purchasing construction materials and might be treated by permit holders as advance payment made to sellers.

Railways, Communications, Motor Transport, and Banks and Insurance Companies (*a*) The wage and salary bill of railways came to Rs 295 crores in 1965-66 so that a 10% rise in it should yield about Rs 30 crores This figure may be accepted for the year 1966-67 This sum can be easily realized from the railways in the form of Extra Labour Tax (*b*) As regards communications, the working expenses of Posts and Telegraphs Department had been put at Rs 121 crores in the 1965-66 budget estimates The wage and salary bill in the case of railways comes to 61% of the working expenses of the railways for the year 1965-66, and applying this percentage to posts and telegraphs, the wage and salary bill of this department can be put at Rs 74 crores Additional work for one hour daily should, therefore, yield resources worth Rs 7 crores. (*c*) The remaining categories may be treated on the same level as factory establishments and an Extra Labour Tax of 2 6% on sales may be imposed on them as a measure of benefit accruing to them from one additional working hour that each employee will put in under the proposed scheme The annual output of motor transport, banks and insurance companies can be estimated to be (Rs 113 crores + Rs 425 cr + Rs 185 cr) = Rs 723 cr for the year 1966-67 so that we should be able to collect Rs 19 crores in this way The total resources that can be collected from this group aggregate to Rs 56 crores approximately

Other Trade and Transport The value of output from "other trade and transport" was estimated to be Rs 2,775 in 1965-66 on the basis that the Third Plan would be a success, and might now be accepted as the figure for 1966-67. This is a heterogeneous group and includes wholesale and retail trade, storage and warehousing, hotels and restaurants, indigenous money-lenders and non-railway and non-motor transport The village-based operations of this class are outside the state's regulatory system, and even in cities, only large-sized operations are within the grasp of joint stock and shopping and commercial

establishment laws (*a*) If we take the trading operations of joint stock companies, they employed in 1950-51, 83,19,000 workers who were paid Rs 19 crores as wages and salaries (average earnings per worker being Rs 984) and their profits liable to tax amounted to Rs 175 crores[7] An Extra Labour Tax of 10% on wage bill should produce on 1950-51 basis Rs 2 crores (*b*) In "other transport" it should be possible to mop up the additional output and profit consequent upon increased working hours in the case of, say, regulated water transport and air transport Details in this connection will have to be worked out but a provisional figure of Rs. 5 crores may be suggested. (*c*) We should add to this figure a sum of money in respect of non-stock trading enterprises subject to shopping and commercial establishment laws, like dealers in drugs and chemicals, publishers and booksellers, vendors of wine and aerated waters, petroleum distributors, wholesale traders in foodstuffs and eating houses, and so forth The number of persons employed in 1959 was 7 9 lacs in shops, 5 4 lacs in commercial establishments and 2 3 lacs in restaurants and theatres, adding up to 15 6 lacs[8] These figures are limited to shops and commercial establishments in certain urban areas where the relative law is in force Statistics about their earnings are not available The minimum wage for agricultural worker has been fixed at Rs 1 35 per day, and if the current wage for employees of shops etc is assumed to be Rs 1 50 per day, their annual earnings amount to Rs. 86 crores A 10% increase over Rs 86 crores comes to Rs. 8 6 crores or Rs 9 crores We may leave out of account additional profit that might accrue to allow for the provisional character of the estimate. The total resources that can be raised from this group can, therefore, be placed at Rs 24 crores on the basis of the years mentioned in each case. Exact figures will have to be worked out but provisionally we may keep this figure at Rs 36 crores for this year 1966-67

[7] *National Income Statistics Proposals*, New Delhi Central Statistical Organization, Government of India, 1961, Table 11 3, page 135

[8] *Statistical Abstract of the Indian Union* 1961, Delhi Central Statistical Organization, Government of India

Government Service Output from Government service amounted to Rs 1,300 crores in 1963-64 and a straight 10% addition to it would amount to Rs 130 crores We have already taken this into account while providing for a 10% reduction in all Government expenditure and so no separate calculation is necessary The method of mobilization can be either (*a*) a retrenchment of staff by 10% or/and (*b*) a diversion of 10% staff to civilian defence posts, and the latter alternative is obviously preferable.

TABLE 22

Professional and Liberal Arts and Domestic Services, 1959-60[9]

	Particulars	No of Persons Engaged	1959-60 Total Income (Rs Cr)	1963 64 Total Income (Rs Cr)
1	Medical and Other Health Services	5,92,000	94	
2	Educational Services	6,00,000	61	
3	Letters, Arts and Science	9,70,000	94	
4	Legal Services	3,34,000	61	
5	Religious & Charitable Services	10,19,000	54	
6	Sanitary Services Scavengers	8,94,000	44	
7	Barbers and Hair Dressers	14,15,000	64	
8	Laundries-Washermen	15,62,000	66	
9	Private Motor Drivers and Cleaners	92 000	11	
10	Cooks, Gardeners and Other Domestic Servants	37,66,000	179	
	Total	1,12,44,000	717	900

Professional and Liberal Arts and Domestic Services This group includes ten categories as shown in the Table 22 The general difficulty with them is that there is no readily available medium through which an imposition can be worked out This is, however, clearly available in the case of educational services and sanitary services which can yield approximately Rs 15 crores at

[9] *National Income Statistics Proposals for a Revised Series of National Income Estimates for* 1944-56 to 1959-60 New Delhi Central Statistical Organization, Government of India 1961

10% rate in 1966-67 We may leave other categories out of account The method of mobilization can be a transfer of 10% personnel for civilian defence purposes.

Final Calculation It is thus possible to mobilize resources worth Rs 366 crores approximately through the agency of an Extra Labour Tax Table 23 gives this analysis in a summarised form

TABLE 23

Mobilization through Excess Labour Tax (1966-67)

	Particulars	Rs Cr
1	Factory and Power	169
2	Minerals and Oil	41
3	New Constructions	49
4	Railways, etc.	56
5	Other Trade and Transport	36
6	Government Service	
7	Professions	15
	Total	366

We have calculated that an increase in working hours should yield Rs 1,100 cr in 1966-67, and of this a sum of Rs 366 crores can be mobilized in the form of Extra Labour Tax through the existing administrative apparatus The remaining portion of the increase in national output in the non-agricultural sectors (Rs 734 crores) cannot be mopped up directly, but it may be received back from the public in the shape of donations, subscriptions or in some compulsive ways We have already ignored the agricultural sector.

FISCAL MOBILIZATION OF RESOURCES PRODUCED BY ADDITIONAL EMPLOYMENT (B-5)

Additional employment of manpower is calculated to yield output worth Rs 1,200 cr in 1966-67 and this should primarily be in manufacturing sector. From the point of view of mobilization, it would be desirable to set up new production

units as far as possible in the public sector. This would make actual mobilization comparatively easy, and it would help rapid expansion of output. Private enterprises are handicapped in rapid expansion by the fear that they would have to shrink production in post-mobilization period when demand would slacken, but a public sector enterprise would not be deterred by this consideration from increasing output quickly and vigorously. Assuming that all this production takes place in factories, it will lead to a saving of (*a*) 10% of total wage and salary bill or 16% of the ex-factory value of additional output and (*b*) 10% of ex-factory value in the shape of profits on the additional output A sum of Rs 291 crores can thus be mobilized If the private enterprise actively and sincerely helps in and contributes to the efficient working of these new production units which would largely be of defence nature, and we should expect such co-operation, there is no reason why these units cannot work profitably. It might be useful even to hand over their management to private industrialists If production cost is fixed in advance and the managements (that is, private entrepreneurs) are assigned the task of producing at or below this cost, they will surely accept the challenge and prove their worth This should yield resources of about Rs 130 crores

It is, however, very likely that additional manpower may have to be employed in existing private factories in certain cases, for the reason that these units can work an extra shift or two with little or no additional equipment or that this would simplify the managerial problem In such cases, an Extra Labour Tax equal to 2 6% on ex-factory price of total output should ensure the attainment of the resource target

FISCAL MOBILIZATION IN RESPECT OF DIVERSION OF RESOURCES

CONSTRUCTION (C-7)

We have estimated that resources worth Rs 700 crores can be diverted from the construction sector to defence As to public construction, Rs 244 worth of construction would be

made defence-oriented This would be internally impounded so that no problem of fiscal mobilization would arise in this case. The real problem is with regard to construction materials and services worth Rs. 418 crores which would now (in 1966-67) be bought by the Government instead of civilian persons and institutions. It means that this much of money would be put in circulation We suggest no direct fiscal measure for mopping up the sum of Rs. 418 crores which will be added to circulation.

DEPRECIATION FREEZE (C-8)

Depreciation provision would be frozen to the extent of Rs. 100 crores in 1966-67. This is easily mobilizable through the income-tax machinery. Enterprises should be required by law to invest one-half of their annual depreciation provision in defence securities; and the income-tax authorities should allow depreciation to the extent of twice the amount of such investment, subject to the prescribed maximum figures

FISCAL MOBILIZATION IN RESPECT OF CONSUMPTION RESTRAINT

ECONOMY IN GOVERNMENT EXPENDITURE (A-3)

An ideal mobilization situation exists when Government expenditure is slashed to boost defence efforts We have estimated that economy in Government expenditure can yield Rs 300 crores in the year 1966-67 This does not create any problem because it is internally impounded to the Government.

FISCAL MOBILIZATION OF SAVINGS ARISING OUT OF RESTRAINT ON PERSONAL CONSUMPTION (A-1-2)

We have proposed that saving from personal consumption should be to the tune of Rs 2,100 crores in 1966-67 In order to mobilize this huge amount of saving, we propose a four-point programme as under (*i*) Defence Excise Duty, (*ii*) Special Defence Excise Duty, (*iii*) Compulsory Defence Loan, and (*iv*)

Defence Tax. It is our estimate that these measures together can yield in total a sum of Rs 1,659 crores

(i) *Defence Excise Duty of 20% on Power and Factory Production and 10% on Transport Services and Communications.* The value of output of power and factory establishments in 1966-67 has been estimated by us at Rs 6,544 crores; and a 20% tax on it should yield Rs 1,300 cr A 10% excise duty on railway and motor transport services and communications is likely to yield (10% of Rs 635 cr.+Rs 425 cr +Rs 112 cr)=Rs 117 crores The total that can be mobilized in this way is Rs 1,412 crores

(ii) *Special Defence Excise Duty* In addition, a Special Defence Excise Duty shall have to be levied on consumer articles chosen for special cut. This has been worked out in Table 24 We had proposed earlier that the consumption of automobiles, electrical consumption goods, artificial fabrics and woollen goods should be reduced by about 40%, and the Defence Excise Duty at the normal rate of 20% and at the special rate of 30%, therefore, seems to be allright Likewise, a Special Defence Excise Duty of 15% may be imposed in the case of bicycles, tyres and tubes and footwear The yield of Special Defence Excise Duty comes to Rs 82 crores approximately

TABLE 24

Additional Defence Excise Duty

	Items	Consumption in 1966-67 (Rs Cr)	Rate %	Amount of Duty (Rs Cr)
1	Automobiles etc	40 0	30	12 00
2	Electrical Consumption Goods	77 4	30	23 25
3.	Fabrics, Silk and Yarn	70 0	30	21 00
4	Woollen Goods	38 0	30	11 40
5	Bicycles, etc	29 3	15	3 38
6	Rubber Tyres and Tubes	25 0	15	3 72
7	Footwear	49 2	15	7 50
	Total			82 25

(iii) *Compulsory Defence Loan.* An excise duty is an indirect tax and is, therefore, regressive in character In order to balance it, we propose Defence Loan and Tax Schemes which can be implemented by the income-tax machinery. With regard to compulsory loan scheme, our proposal is that all incomes above Rs. 5,000 p.a should be liable to a subscription to Defence Loan to the extent of 5% of incomes. Such incomes amounted to Rs 900 crores in the year 1960-61, taking into account individuals, Hindu undivided families and unregistered firms, etc In that year tax on incomes other than corporation tax produced Rs 167 crores, but in 1965 the yield was Rs 294 crores, a rise by 86%. Assuming that incomes above Rs 5,000 p a have increased in the same ratio, they can be put at Rs. 1,700 crores approximately. Therefore, compulsory subscription on these incomes at 5% should amount to Rs 85 crores.

Compulsory Defence Loan Scheme and Annuity Deposit Scheme. We have repeated here the proposal we had made in 1962 that a Compulsory Defence Loan Scheme should be introduced. It will be recalled that the Government of India had introduced a Compulsory Deposit Scheme in 1963-64, which became inoperative from 1st April 1964, but was replaced by the Annuity Deposit Scheme which came into force from 1st October, 1964. The latter applies to incomes above Rs 15,000, and the rate of deposit is 5% on incomes between Rs. 15,001 and Rs 20,000, 7½% on incomes between Rs 20,001 and Rs 40,000, 10% on incomes between Rs 40,001 and Rs 70,000, and 12½% on incomes which exceed Rs 70,000

Our proposal for a compulsory defence loan is that it should be levied at the rate of 5% on incomes exceeding Rs 5,000 This scheme may be integrated with the Annuity Deposit Scheme and the following integrated rates may be introduced.

(*a*) Incomes between Rs 5,001-Rs 15,000	.	5 %
(*b*) Incomes between Rs 15,001-Rs 20,000	.	10 %
(*c*) Incomes between Rs 20,001-Rs 40,000		12½%
(*d*) Incomes between Rs 40,001-Rs 70,000		17½%

(iv) *Defence Tax* Our next proposal is that all personal incomes above Rs 10,000 per annum should be liable to a Defence Tax of 10% Such incomes amounted to Rs 400 crores in 1960-61 in respect of personal incomes and might be put at Rs 450 crores taking into account Hindu undivided families and unregistered firms etc. A step up by 86% for the year 1966-67 would place this figure at about Rs 800 crores A 10% Defence Tax on these incomes would yield Rs 80 crores

FISCAL MOBILIZATION THROUGH VOLUNTARY SOURCES

The above-mentioned measures would, in the aggregate, mobilize monetary resources to the extent of Rs 1,659 cr , out of savings made from personal consumption We have, in all, made proposals for the fiscal mobilization of Rs 2,960 crores corresponding to Rs 5,500 crores worth of physical mobilization, or roughly to the extent of 54% Further efforts shall have to be made to mobilize the remaining sum of Rs 2,540 crores through emotional channels or by mobilizing public enthusiasm This is the area of voluntary mobilization on the part of the public.

THE ROLE OF DONATIONS

It is not difficult to devise and set up an appropriate mechanism to encourage the voluntary surrender of the idle purchasing power Donations and loans readily come to one's mind From a long-range point of view, donations are the best method because besides being voluntary, they do not commit the future generations to bear the cost of war They are indicative of public resolve to fight the enemy and to make sacrifices and are invested with high morale value Systematic and intelligent efforts should be made to see that the donations (*a*) are collected in as large a volume as possible, but (*b*) whatever their s they sustain over a long period A steady flow of donations per month should be preferred to a sudden spurt in collections followed by a drying up phenomenon later

This can best be done if donations are collected on monthly basis from each individual household A single *mohalla* organi-

zation to collect donations in cash or kind from door to door in the beginning of each month can do a really good job, and if no compulsion is employed on householders to raise their donation or even to give a donation, collections can be made on a continuous basis. The collecting unit must issue valid receipts which should be audited and information of collections on *mohalla* basis (not individual basis) should be regularly released If voluntary donations made by persons who can and like to make them amount to a figures equal to Re. 1 per capita of population per month, they will yield a sum of Rs. 50 crores per month or approximately Rs 600 cr. p a This would be a very good target to hit at.

THE ROLE OF DEFENCE LOANS

Personal savings made over and above the above-mentioned donations may be tapped, at least partly, in the form of subscription to defence bonds and certificates. People can be easily persuaded to buy these interest-bearing securities which give them financial protection for the future and help national defence at the same time. We would suggest that the sale of these bonds and certificates should also be done on door-to-door basis each month by *mohalla* organizations. We might very well try to reach a target of Re 1 per person per month so as to collect Rs 600 crores approximately per annum

MOBILIZATION OF RESOURCES VIA PUBLIC ENTHUSIASM

Even if the above targets set in respect of donations and subscriptions to loans are attained, it will still leave with the public a sum of Rs 1,340 crores This sum may be mobilized by making appeal to the sense of duty and patriotism, and voluntary return by civilians may be encouraged by making honourable mention and by award of honours to deserving citizens It is our view that economic, fiscal or legislative measures alone cannot be wholly successful in achieving the far-reaching results which a grave national emergency requires. What might be even more effective is the creation of an awareness among the people of their duty to the nation their psychological commit-

ment to concrete national goals Mohalla organizations of personnel operating on whole-time basis should accomplish this task, as other defence tasks, quite satisfactorily In fact, we should like to warn against attaching exaggerated importance to the effectiveness of legislative, fiscal or economic measures to achieve total mobilization The very fact that the public will be left with Rs. 1,340 crores even after the imposition of a whole new tax discipline as proposed above and the receipt of targeted voluntary donations and loans, indicates the very great need of motivating voluntary impulses of the civilian population.

AUSTERITY WITHOUT SAVING SPONGE

Once the people commit themselves to reduce their consumption and begin to practise austerity, it is really a matter of detail as to how the saving is mopped up by the Government for use in war effort, or if a saving sponge is applied at all Taking a purely theoretical case, suppose that the people restrict their per capita consumption to the level of 1964-65 and the Government leaves the money saved by the people with them in its entirety The natural consequence would be that familial cash holdings or bank deposits would increase by the extent of these savings This monetary phenomenon of increased liquidity or bank money would not press upon supplies or prices and would, therefore, not be inflationary In fact, so far as markets are concerned, a certain proportion of market supplies shall not be lifted by normal consumers, and the Government can purchase it at current prices, if not at even lower prices. Theoretically, again, even if the Government resorts to the printing press to buy this material, prices need not show an upward trend.

This example indicates that self-imposed consumption discipline is of essence Legislative, economic and fiscal measures do try to accomplish this coercively, but never with success. Still it is possible that the self-imposed consumption discipline begins to show cracks under certain circumstances Therefore, the proper strategy should be a two-sided effort to restrict consumption by moral persuasion and appeal to patriotism

TABLE 25

Proposed Pattern of Fiscal Mobilization for the Year 1966-67

Source	Available Resources in Real Terms (Rs Cr)	Mobilization		Cash Holding with Public (Rs Cr)	Voluntary Methods of Mobilization	
		Amount Mobilized (Rs Cr)	Process of Mobilization			
(1)	(2)	(3)	(4)	(5)=(2)−(3)	(6)	
						Rs Cr
A *Restraint on Consumption*						
1 Consumption Freeze at 1964-65 Level	1,700	1,412	Defence Excise Duty	41	Donations	600
		82	Special Defence Excise Duty		Loans	600
		85	Compulsory Defence Loan		Special Efforts	1,340
		80	Defence Tax			
2 Special Reduction in Consumption	400			400		
3 Economy in Government Expenditure	300		Internally Impounded			
B *Increased Production*						
4 Longer Working Hours	1,100	366	Extra Labour Tax	734		
5 Additional Employment	1,200	291	Extra Labour Tax	909		
6 Curtailment of Vacation		.		.		
C *Diversion of Resources*						
7 Construction	700	244	Direct Diversion	456		
8 Depreciation Freeze	100	100	Income-tax Machinery			
D Total	5,500	2,960		2,540		2,540
E Existing Budgetary Provision for Defence (1965-66)	749					
	6,249					

on the one hand and by legislative, economic and fiscal measures on the other

THE FINAL POSITION

The result of the above-mentioned processes of mobilization have been shown in Table 25 This table is a summary of the proposals that have been made above

DEFICIT FINANCING

In case, however, the voluntary return does not come up to expected level of fiscal mobilization as suggeted above or is not implemented with complete success, the Government may have to resort to deficit financing This would be unfortunate. On the one hand, it would be an indication of lack of public support or failure to mobilize public enthusiasm constructively and, on the other hand, it would accentuate inflationary tendencies. For this however, there are the following escapes :

(*i*) Public enthusiasm must be mobilized effectively and constructively so that donations and subscriptions bring in substantial amounts to the public exchequer on a continuing basis beyond what have been anticipated above as targets

(*ii*) A strong awareness is created among civilians so that they voluntarily restrict their consumption and do not spend beyond the irreducible minimum they may even hoard money if they do not want to lend or donate it This means that austerity will have to be made the fashionable style of life

(*iii*) More taxes may be imposed than what have been suggested by us

(*iv*) The agricultural economy may be better organized in an administrative and economic sense and is brought increasingly under the regulatory control of the political apparatus of the country It would

then be possible to enforce a fiscal sponge on the additional incomes generated in this sector.

(*v*) The Fourth Plan may be curtailed in respect of its social service programmes to the extent it is feasible or practicable, its investment structure be reshuffled to meet defence needs more directly, and the investments which would yield benefits only in the Fifth Plan be postponed.

Chapter VI

SOME ISSUES OF DETAIL

Any model for mobilization of resources to fight a modern war is bound to become a matter of discussion or even of controversy. But this perhaps is as it should be a model is meant primarily to provoke further thinking and discussions These further thoughts and discussions, if of a constructive character, can lead to an improvement of the model by removing its weaknesses and deficiencies The revised model can then become the starting point of formulating a detailed programme of defence mobilization.

We can ourselves foresee a number of questions which can be raised in connexion with the proposals made by us. We, therefore, give brief clarification of a few points that may arise.

PROPER ROLE OF A DEFENCE MODEL

It may be indicated that too much should not be expected from a model. It can neither be perfect nor comprehensive it should not be expected to give an answer to every question or silence every doubt; all that it can do is to be plausible and to show an awareness to most, if not all, the relevant factors In particular, it should be remembered that *no model of defence mobilization can be free from all errors.* However, it should not be unrealistic, or impossible to be worked out, or inconsistent within itself. If it meets this criterion, it can be serviceable for planning a war economy in the sense that it can indicate broadly as to how an economic system can be made to yield physical resources for fighting a war and how can the corresponding monetary resources be mopped up *Nor should it be expected that a model would give all the details* the details will have to be worked out by programmes after the broad parameters of the model and its system of inter-relations have been accepted To say that a model has not worked out a certain dimension of the pro-

blem in full details does not necessarily make a serious dent in the model *It would, again, be wrong to reject the whole model simply because it has some wrong calculations or make some doubtful suggestions* The right course is to modify it and introduce corrections in it Finally, the real value of a model lies in its presentation of a plan of action, and the chance it offers of judging its worth in comparison with the alternative plans of action that may be available

SOME PROBLEMS OF INVESTMENT

We have not yet paid attention to the problems relating to foreign exchange and capital investment in defence industries. We may briefly touch upon them here.

THE PROBLEM OF FOREIGN EXCHANGE

It is necessary to determine the import contents of the defence preparations of the magnitude that has been suggested by us This would have to be done by Government officials and military experts at proper time But it is necessary to indicate the sources from which foreign exchage might become available

It may be noted in this connexion that we have favoured the acceptance of foreign military aid as a source of foreign exchange In fact, we advocate the receipt of foreign military aid of quite a substantial order, even though we have not committed ourselves to any definite figure because of uncertain attitude of world powers, nor have we treated this as a source of defence mobilization

Every endeavour should, again, be made to enter into credit arrangements with foreign suppliers of defence materials so that our emergent needs are rapidly met.

We should also try to expand our exports to the best of our capacity and restrict imports as far as possible to defence materials, allowing only the minimum possible imports of investment goods and most essential consumer goods This has to

be done with a sense of urgency and in an efficient manner, and any casual or self-complacent attitude in this regard has to be firmly overcome

Quite obviously India must take suitable steps so that her dependence for military hardware and equipment on Great Britain and U S A is relatively reduced and she has a bigger list of suppliers so that we may be sure of getting the needed supplies well in time and in adequate quantities without having to encounter political blockages, and we may also be in a position to take an independent stand on problems of defence and international affairs

ADDITIONAL PRODUCTIVE CAPACITY IN DEFENCE INDUSTRIES

We should try from the very outset to produce ourselves to the maximum possible extent the arms, ammunitions, other military hardware, army clothing and food, etc , that we may need so that we may develop independent internal strength to meet an emergency Our foreign exchange resources shall have to be adequate to take care of the import requirements of capital nature needed for setting up defence industries It is, however, obvious that first thing must be seen first and immediate attention must be paid to acquiring arms and ammunitions currently needed by our fighting forces or that may be needed in the near future It is taken for granted that normal imports will also be kept up We will have to obtain maintenance imports for defence industries and other imports to complete investment projects in progress or to take fresh projects in hand As the present danger of aggression lessens, we should make even more earnest efforts for expanding defence industries We can then divert at least some provision made for acquiring instruments of destruction towards capital formation in war industries.

SOME PROBLEMS OF PRODUCTION

THE NATURE OF ADDITIONAL OUTPUT

The additional output generated through an addition to working hours and to manpower would presumably be of

defence goods, which would imply the substitutability of defence goods for civilian goods in the product mix of the related enterprises In some cases the goods being currently produced can be used in defence, *e g* , woollen goods and footwears; but in others, the line of production may have to be altered. The equipment and technology might respond to the altered production programme in certain cases, and here the transition can be quick and easy But where this is not the case, the additional output may be exported, even at a discounted prices and foreign exchange earned or/and defence materials imported This is a matter of detail and will have to be worked out in each individual case separately.

THREE SHIFT FACTORIES

The proposal to increase working hours may be difficult to introduce in factories already working three shifts of eight hours each inclusive of lunch break Such factories are, not many However, one approach can be that such factories are excluded from the proposed scheme. Another alternative is that they may be put on 2½ shifts basis, each shift being of 9 hours This would give half hour for a new shift to move in, which is approximately the time wasted in the change-over The half-shift workers may be made to work in another nearby factory set up in the public sector as proposed by us This is a matter of detailed adjustment but is not impossible of solution.

PROVISION FOR EXTRA DEPRECIATION

The longer working hours would accelerate the wear and tear rate, and provision should be made for accelerated depreciation to cover this But in the context of aggregate mobilization, this is a relatively small matter Nevertheless replacement is by and large postponable, very much so in a totally mobilized economy, and, therefore, one need not face the problem of actual replacement of equipment during the continuation of emergency Accelerated depreciation provision can and should be made, and this would increase resources *via* depreciation freeze for national defence.

SOME PROBLEMS OF MANPOWER PLANNING

ABSENTEEISM AND STRIKES

We have not made references to the need of avoidance of strikes and of plugging the leakage of manpower through absenteeism, etc It is however, obvious that every effort should be made in a state of total mobilization to avoid loss in productivity through absenteeism, part-time attendance, strikes, etc If the enthusiasm of the industrial workers could be effectively mobilized, this wastage can be reduced In saveral foreign countries, it has been calculated that an addition of 5% to productivity took place in this way during the period of war We have, however, not taken into account the possibility of resource mobilization through this means.

POSSIBILITY OF INCREASING EMPLOYMENT

We have suggested that employment should be increased by 15%, and it may be well to ascertain if the volume of unemployment in the country is such as to make possible an expansion of employment of this order.

According to the 1961 census, the number of persons of the age group 15-59 residing in urban areas was 4 44 crores composed of 2.49 crores men and 1 95 crores women But the actual number of workers was only 2 64 crores, of whom 2 24 crores were male workers and 0 40 crore female workers An increase in urban employment to the extent of 15% would imply that approximately 0 40 crore more people should be brought to work in urban enterprises This is relatively easy because urban areas themselves have 1 80 crores of people of the age group 15-59 who are not working It is, however, true that we cannot expect every person of this age group to start working at once Male residents who are non-employed in urban areas are 0 25 crore and female residents 1.55 crores If we can put 0 20 male citizens and 0.20 crore female citizens to work, we can get 0 40 crore additional workers. This implies that the female working force in urban areas would be stepped up by

50% from 0 40 crore, it will swell up to 0 60 crore. This will mean a big change in the habits of urban females, their place in society and the household economy.

If there is any shortage in urban areas, it should be easy to draw upon the ranks of the unemployed and the under-employed in the rural areas. According to the Planning Commission, the Third Plan had started with a backlog of unemployment of 8 million people, and 4 million will have been added to this number by the end of the Third Plan period. The Fourth Plan would as such start with a backlog of unemployment of 1 2 crores people. There should be no problem then in finding 0 40 crore people to take additional jobs that will be created Far from being a problem, it may be a solution of the problem of unemployment that has been staring us in the face for many years.

NEED OF TRAINING

In a mobilization situation, it is inevitably necessary to organize training programmes on an ambitious scale If we wish that efficiency in productivity units is not allowed to decline and is actually improved, we have to make adequate provision for training the new entrants into working force who would be in most cases without previous experience of the required nature. In fact, enterprises might lose some of their experienced and good workers in favour of military services or new defence enterprises.

It should, again, be noted that it is not sufficient to create training facilities, it is equally necessary to enthuse new workers to take advantage of them and to acquire skills to help the country to fight the enemy A great deal of consciousness needs to be created among people in this respect

SOME PROBLEMS OF CONSUMER GOODS

In a totally mobilized economy, consumers have inevitably to tighten their belt and to reduce consumption But it is necessary to ensure that they do not have to make needless sacrifices, and every care is taken that their sacrifices are not pushed to the point of no return

PROPER DISTRIBUTION OF CONSUMER GOODS

Therefore, the problem of quick and fair distribution of consumer goods is extremely important in a war economy In such a situation, the output of consumer goods is kept seriously limited; but people have enlarged incomes at their command This unusual scarcity can be endured by the people, without pressing unduly upon prices, if consumer goods are fairly and promptly distributed If consumption articles are unevenly or otherwise badly distributed or are not available in the market when needed, public morale would suffer an irreparable setback

This indicates the necessity of kindling a sense of enlightened self-interest among the business community and inculcating in it a habit of identifying this self-interest with broader national interest, creating an awareness on the part of the consuming public to assert itself in favour of fair prices and to take constructive action in such form as organization of co-operative consumer stores to ensure equitable and prompt distribution and to keep prices within reasonable bounds; and investing administrative apparatus with a new measure of efficiency and a sense of dedication.

THE PROBLEM OF FOODGRAINS AND AGRICULTURAL RAW MATERIALS

Mobilization places a heavy responsibility on the agricultural sector which shall have to produce not only adequate supplies of foodgrains but also agricultural raw materials to enable the manufacturing sector to expand to the desired proportions A close approach to self-sufficiency in this matter naturally gives strength to a totally mobilized economy, but this is particularly necessary for India not only because she is an agricultural country and should put up a good performance on agricultural front but also because of the apprehension that foodgrains supplies received from abroad may be associated at any stage with political pressures, or even be withheld or reduced resulting in an impairment of defence efforts

It is, however, clear that so long as scarcity continues, rationing will have to be introduced. It cannot, in fact, be avoided It is also clear that the amount of foodgrains that is currently consumed per head of population will have to be reduced.

Consumer sufferings can, however, be reduced if production of alternative and subsidiary food materials is encouraged and popularised All this will have to be done

AN ECONOMY WITH STRAINS

An economy which has been brought on to a basis of total mobilization would inevitably develop a variety of storms and stresses People would be shifting to new places and occupations, they will have larger incomes but fewer consumable articles; they will have to work longer each day, with fewer holidays, and in the second or/and third shifts New production units would be established with a new range of output, and old factories would alter their product mix, and all of them would be subjected to new laws and controls. The society would face new taxation measures and other fiscal and economic measures of persuasive and compulsive nature meant to transfer purchasing power from individuals to defence authorities The tremendous rate of purchasing war materials would increase the income of certain sections of society, and increase in employment would have a similar result All this would upset the economic balance between different categories of population and really it would be difficult to assess the degree or direction of such change while it is taking place, and even more difficult to do anything about it Nobody can predict precisely everything that might happen and every change that might come, for some are bound to escape analysis and evaluation. In a war economy, the Government must *act* for winning a war, and, in final analysis, let the society bear the burden as best as it can. If the mobilization is according to a considered plan, people and society would not have to bear avoidable sacrifices as far as possible. Even so, to ask a mobilization planner to

offer a plan of action which is in every way perfect and which has a built-in answer to every conceivable difficulty that can arise or can be imagined, is to beg for the moon.

However, to the extent that the economy develops new mobility, flexibility and adjustability and, above all, a capacity to expand rapidly and smoothly, the strains and stresses will be reduced.

MOBILIZATION OF RESOURCES IN 1964-65

We have shown in the preceding chapter the mechanism of fiscal mobilization as it might operate with reference to the year 1966-67. However, the work of mobilization must begin with immediate effect the remaining six months of the current financial year (1964-65) should be carefully utilized for this purpose.

We have shown in Chapter 4[1] that resources worth Rs 2,150 crores can be mobilized during the period October 1965-March 1966 as follows Rs 750 crores from restraint on consumption, Rs 1,100 from increased production and Rs 300 from diversion from construction sector. This sum should be sufficient to enable us to raise and maintain an additional striking power of 13 lac combatants in ready-to-fight condition.

Immediate mobilization is necessary for the obvious reason that the country is facing a serious threat across its borders and must prepare as fast as it can to meet this danger. The work commenced now and done during the remaining portion of the last year of the Third Plan would provide a momentum to the work that will have to be accomplished during the year 1966-67. The measures of fiscal mobilization proposed by us can also be tried right now so that necessary modifications or additions can be made in them during 1966-67 or later

IMPLICATIONS FOR THE FOURTH FIVE YEAR PLAN

Any notion that a large-scale preparation for national defence at an unprecedented and fast rate is counter to the

[1] See Table 19

economic growth of the country is erroneous. In our model of resource mobilization, we have not suggested that the Fourth Five Year Plan should not be carried out as scheduled or that it should be seriously modified to help war efforts. In fact, our position has been that, save for marginal adjustments, the Fourth Plan should not be disturbed it should be vigorously and successfully implemented The incremental national output turned out in the Fourth Plan period would, according to our proposals, provide the wherewithals of total mobilization. Our clear position is that if we do not fulfil the Fourth Plan, there would be considerable difficulties in creating adequate resources needed for the country's defence

While giving an outline of the mobilization strategy the first basic principle that we had enunciated was that the Five Year Plans would be fulfilled as originally drawn up. Though adjustments may have to be made in various directions for meeting defence needs in the event of a sudden or large-scale aggression, the basic targets of economic plans should not be violated and the plan resources should be released as soon as defence mobilization has been organized.

The proposal to keep in abeyance the Fourth Plan, partly or wholly, must be resisted firmly in whatever shape or form it may be made. It is already being suggested that the first annual sub-plan of the Fourth Five Year Plan should be given defence orientation, and it was stated in 1962 that development is defence. Such suggestions and slogans create a smoke-screen to conceal the real intention of their authors, *viz*, slowing down the Fourth Five Year Plan, if not abandoning it altogether; and they deserve to be rejected as being short-sighted and tradition-bound

We have given several reasons why defence should be kept separate from development in terms of national endeavours, though not wholly in terms of preparations for national defence. We do not propose to repeat them here But we do wish to emphasise that any such move would be against the real interest

of the economy and, in fact, against our national defence and security in the long run.

We must remember that defence expenditure is inherently limited by economic considerations an extravagant defence budget can be ruinous to the country's economy The drain upon the financial, material and human resources can be so serious as to weaken the whole economic structure it can impair the human will to resist the enemy and it can disrupt the production mechanism though lack of replacement of depreciated equipment and materials There are ways of escaping from this catastrophe *via* reducing defence needs, but India is in a happy position to practise a method which is not usually available to fighting nations This is her increasing production and mounting productive capacity flowing out of her economic plans, which can be diverted to defence preparations instead of adding to living standards This advantage we must not sacrifice. A continuation of planned efforts would ensure a further increase in national output and productivity even when a war is being fought, which should frighten the aggressors The crux of our success in this respect is the nation's capacity to organize and manage a much larger economy than even in the past This we must seek to develop and activise

We, in fact, hope that the psychological and social jolt given by the Pakistani and Chinese aggression would be used to spur the people to make much bigger growth endeavours for defence and development than ever before in nation's contemporary history In other words, people's resolve to make efforts and sacrifices for saving country's honour can in the first instance be used for military build-up and, after this need is over, it can be used for accelerating the country's economic growth The socio-cultural frame of India has been a stumbling block in the path of rapid development it has slowed down the dynamics of progress Its only remedy is a shock-treatment The present war is a tremendous shock to the self-complacency and easy-going attitude of the people In fact, we were waiting for a major breakthrough of this nature which might break the

slumber of centuries and spark off a mental revolution in the masses The present is too good an opportunity to lose : we must use it to mobilize public awakening and enthusiasm, and to learn how to sustain this enthusiasm and use it for nation building purposes

The cultural aspect of economic growth is so deeply important that we will like to dwell upon it a little longer. India's culture is stability-oriented. In early days, the sheet-anchor of India were villages and not cities which were 'court cities' or 'religious cities' and bore an aura of transient existence. Court cities depended on royal whims for their existence, and one went to religious cities only for brief pilgrimage. Thus whereas an urban centre was highly impermanent, the village was the stable political unit where people lived generation after generation through all the ups and downs of an uncertain world The cultivators did not live on their farms, but for reasons of gaining security against marauders, dacoits and self-seeking royal functionaries, they lived collectively in villages The latter thus became the great bulwark against change and instability. During the British Rule the stability factors of Indian culture were further reinforced to secure protection against economic exploitation and the onslaught of alien values Our culture has, therefore, continued till today to be oriented to stabilility. Our religious beliefs, again, discount the value of economic growth and efforts to improve one's economic lot. To make matters worse, the long stagnation of our economy during the British Period has lent to our psychology a sense of frustration, distrust and overcritical character, and these have eaten into our sense of responsibility and enthusiasm to work for self-improvement and national prosperity. The sum and substance of all this has been that culturewise we lack the will to improve our lot by hard work as well as the confidence in our ability to go ahead at a rapid rate Whenever we want to take steps to grow rapidly, the stability factors in our culture draw us back and we find ourselves tied rigidly with our past

The Chinese and Pakistani invasions are the first major explosion in this cultural heritage; for the first time after centu-

rics people are thinking in terms of action of heroic efforts and big endeavours for collective purposes What is important is to canalise this enthusiasm in constructive directions first for defence, then for growth It may also be pointed out that this is also the opportunity for doing big things and in a short span of time, that is to say, for investing the growth process with tremendous acceleration Enlargement of human vision, confidence in the possibility of achieving big things, ability to plan, organize and manage big-sized operations, and competence to work at tremendously high pressure are other attributes that we can acquire by working adequately in this hour of nation's need The experience of war economy should, indeed, prove most valuable for adding the dimensions of size and speed to our peace economy.

Shri Shriman Narayan, who was a Member of Planning Commission in 1962, had given some specific examples to show how our experience of economic mobilization for meeting Chinese aggression can be expected to help our economic advancement later, and he had rightly called this national emergency "a blessing in disguise". The rate of saving in the country would have to be stepped up to fight the enemy, and this greater saving habit should help subsequent plans. The emergency is likely to make a breakthrough in our low saving propensity . "the rate of savings in India during the last decade has been quite low and meagre" Likewise, our agricultural and industrial production would now be placed on a war footing in the real sense of the term, which was being strongly pleaded by several economists for some time past, leading to a rapid rate of increase Employer-employee relations are also likely to enter upon a new phase of understanding and peaceful co-operation. He also hoped that "the present emergency is sure to lead to a proper atmosphere for the stabilisation of prices of essential commodities, more or less, on a continuing basis" These are only a few illustrations of the ways in which our experience of working a war economy at a fast rate and on an enlarged scale would help us vitally and fundamentally in the rapid economic advance-

ment of the country in the future. Therefore, any suggestion that we should limit our plan targets tantamounts to slowing down India's economic growth as well as defence preparations and missing a unique opportunity of revolutionizing the socio-cultural rigidities of the people.

Chapter VII

MOBILIZATION OF PUBLIC ENTHUSIASM

It will have been clear from what we have said above that in a situation of total mobilization, we should be prepared for an overgrowth of a variety of comparatively minor economic problems of civilian nature These problems might be big in peacetime when civilian welfare is the goal of social policies; but they shed their importance and become relatively small in wartime when victory is the sole object of national endeavours. Which country has fought a major war without inflation, commodity shortages, disturbance of economic balance as between different sections of population, and dislocation of normal economic phenomena in general? It is childish to want, or to hope, that total mobilization can be designed or accomplished without encountering a crop of such problems, and it is even more unrealistic to assign to them disproportionate importance *vis-a-vis* mobilization *per se* The only equation that is practicable is

(*i*) To expect that civilian economic problems *will* arise in a situation of total mobilization, and to be prepared to put up with them, and

(*ii*) To take practical measures to reduce their occurrence and to solve them if they occur as promptly and effectively as possible

It has been traditional to try to meet civilian economic problems with the help of legislative, fiscal and other economic tools It is our submission that in a state of belligerency such tools must be used whenever feasible and necessary, but too much reliance should not be placed on them More basically and importantly, understanding, watchfulness and organized action on the part of general public can achieve smoother and

more effective results. In fact, awakened public consciousness would contribute to the success of the above-mentioned legislative, fiscal and other economic measures that may be adopted Besides, high public morale and organized action can be effective in other, particularly non-economic, areas of defence endeavours also.

The general public in India has shown great and spontaneous enthusiasm in the hour of nation's trial. As in 1962, so in 1965, the Indian public has fully supported the war effort and has shown willingness to make sacrifices This is our greatest national asset; and we must conserve it and use it concretely and intelligently for strengthening national defence.

It was our experience in 1962 that the suddenness of the invasion and the lack of realization of the immensity of the task, did not permit us to prepare and implement a scheme of using public co-operaion for defence build-up to the fullest extent. Efforts were made, with great gusto and a sense of achievement, to what was called *boosting the public morale*, whatever it meant, and the instruments of achieving this desirable end were public speeches, radio talks and singing on the national hook-up. Secondly, people were approached and persuaded to donate to the National Defence Fund These were the only two major areas of work. Thus a very narrow view of the potential and the capacity of public effort was taken and public enthusiasm was allowed to be wasted. We have to take care that we do not repeat this mistake in 1965.

We must not let this great opportunity to be missed Boosting public morale is meant perhaps to arouse public feelings, but this 'boosting' should be spelled out concretely and exactly it should be clear to all as to what are the exact directions in which public enthusiasm is to be turned and to do precisely what is the public to be enthused. Groping in the dark weakens public morale and spreads a sense of uncertainty and confusion; and lack of concrete thinking actually results in unpreparedness to meet the task of defending the country As to donations, let

us not forget that in 1962 they soon started losing their attraction. Too many demands from different quarters on the purse of a single breadwinner in a family, use of persuasion which was often vigorous if not always compelling, absence of a scheme for making continuing and steady collections on a monthly basis, and lack of concrete defence objectives, proved to be discouraging factors. It is, in any case, wrong to imagine that donations can be a major source of war finance in an *ad hoc* fashion The capacity of a nation to pay donations is not unlimited, and only a planned effort can sustain the spirit of dedication and sacrifice. According to our estimate, Rs 600 cr p a from this source should be a very good target. However, to think that keeping up morale and making voluntary donations is all that the public need do to defend the country, is to be extremely myopic There is certainly a need of creating a system which makes effective improvements in both these spheres, but, more importantly, public enthusiasm must be used on a much wider scale with constructive imagination and purposeful vigour

GIVING CONCRETE OBJECTS TO POPULAR ENTHUSIASM FOR NATIONAL DEFENCE

A scheme of enlisting public enthusiasm and co-operation on an organized basis in war effort should be designed primarily to serve the economic mobilization programme which we have outlined above, and secondarily to take care of other civilian economic problems and perform non-economic tasks which are a necessary part of a nationally organized defence effort Goal-setting in this wider sense would take us away from purely economic field, still we feel that we must make certain suggestions, howsoever tentative, if only to provoke concrete and pragmatic thinking in this direction

Broadly speaking, a scheme of mobilizing public enthusiasm for national defence should aim at utilizing this enthusiasm in such ways that :

(*a*) it does not ooze out in a short time but is sustained over a long period,

(*b*) it is channelled into constructive and precise ways of national defence,

(*c*) no dimension of home front is either neglected or paid inadequate attention, in other words, it is sufficiently comprehensive to serve resource mobilization, other civilian economic situations and non-economic defence efforts,

(*d*) there is minimum wastage of public enthusiasm minimum waste of time, energy and resources, in other words, nation's efforts are used for the best purpose and yield maximum return in terms of defence build-up,

(*e*) it should not be made a pawn on the chess board of party politics, the central control and direction should preferably be in the hands of non-politicians, while political parties should participate fully in making the programme a success

Keeping those criteria generally in view, and particularly to fulfil the third criterion, we suggest below an integrated sector-wise programme of popular defence support Public enthusiasm for national defence may be concretely directed in the following five spheres .

(*a*) Resource mobilization,

(*b*) Increasing production and saving the Fourth Plan,

(*c*) Market supplies and price line,

(*d*) Communication, intelligence and morale, and

(*e*) Manpower organization and training for civil defence.

This, in our judgement, would lead to a comprehensive use of popular support for strengthening nation's defence effort without any wastage.

(A) RESOURCE MOBILIZATION

If we translate the resource mobilization programme in terms of the duty of the civilian population, the work can be

classified as follows : (i) austere living, (ii) payment of taxes, (iii) giving of donations, and (iv) subscribing to defence loans and securities

(i) *Austere Living* The primary way in which citizens can help war efforts in the area of resource mobilization is by placing restrictions on consumption They must have this awarness that they can help the defence efforts very substantially the jawans who are staking their lives for the security of India's borders if they lead an austere life To be exact, they should keep their family consumption frozen at the 1964-65 level. They must in no case allow their family consumption to increase, they should actually make an endeavour to reduce it by approximately 5% For instance, a person spending Rs 500 p m should now spend Rs. 475 p m only as far as possible This is a very limited kind of sacrifice for an individual to make, but collectively these small bits of individual sacrifices, which can be made without any undue discomfort, would aggregate to the impressive total of Rs. 2,100 crores in 1966-67, and can help the nation to raise 11 5 lac combatants in ready-to-fight preparedness to defend India's borders The main thing is *not to spend* beyond the limit suggested above

It is the duty of individual citizens to practise austerity themselves and set an example for others It should also be their duty, but more particularly of social organizations and institutions, to carry the message of austere living to every household They should try to create in general an atmosphere in which austere living becomes the socially expected style of behaviour and expensive living something to be ashamed of, and to adopt measures to encourage, advise and help the people to conform to this social standard

(ii) *Prompt and Correct Payment of Taxes.* Mobilization of resources would be helped if individuals and organizations pay taxes correctly and promptly Taxes are the main instrument of raising monetary resources, and the people should give to the Government the taxes which are imposed on them Keeping

the tax money should be treated as retaining something that really belongs to and is needed by our *jawans* on the front : this consciousness must be created by social organizations

It may be indicated here that certain new defence taxes will have to be introduced in a war economy like the Extra Labour Tax, Defence Excise Duty, Special Defence Excise Duty and Defence Tax. Citizens should pay these taxes cheerfully and should realize that these impositions will fall largely on the additions made to their existing incomes as a result of new defence expenditure. In fact, all the accretions made to personal incomes in this way cannot be fiscally mopped up in their entirety, in spite of all the new taxes that would be imposed.

(*iii*) *Giving of Donations* Personal incomes minus taxes are called Disposable Incomes As a result of restraint on current consumption and a simultaneous increase in disposable incomes as a result of developmental and defence efforts, public will find its cash holdings considerably enlarged. It is our estimate that if we wish to have a striking power of 30 lac combatants at fighting level in the year 1966-67, it will add Rs 2,540 crores to the disposable incomes of the people. This amount should be handed back to the Government by the people voluntarily

Donations should be given by the public willingly and voluntarily, and this is already being done in a spontaneous way and in a most generous measure However, the propensity to donate should be carefully mobilized by social or civilian organizations, and the following things may be kept in mind : (*i*) that donations do not become burdensome and can, therefore, be sustained over a long period of military build-up, (*ii*) that collection of donations is done most systematically so that the public should know exactly the minimum amount that it would wish to give each month and the Government should know what exactly it can expect to receive each month, (*iii*) that the difference between what the public gives and what the Government receives should be zero each donation should be property

accounted for and receipted, (*iv*) that the principle of full and complete publicity should be scrupulously adopted so that the receipt of each individual donation can be verified, and (*v*) that donations beyond the minimum fixed by each individual voluntarily should be encouraged

Donations in kind should be collected in addition to cash donations. The conversion of cash donations to donations in kind at the point of donation or collection should be discouraged. Donations in kind have the greatest difficulty in conforming to real requirements, and when surplus, result in avoidable wastage. Therefore, they should be centrally regulated

It is our proposal that donations should amount to a minimum sum of Rs 600 crores per annum at the average rate of Re. 1 per month per head of population It is clear that the well-to-do and urban sections of population will have to contribute more than this amount to make up for the deficiency that would arise on the side of poor and rural sections

(*iv*) *Subscription to Defence Loans* Civilian organizations working for national defence should also take measures to encourage, enable and help the citizens to buy defence securities of all kinds This programme should be broken up into (*a*) a minimum loan programme and (*b*) an additional loan programme

The *minimum loan programme* must hit the target of Re 1 per month per head of population so as to yield Rs 600 crores in a year. Proper and organized efforts should be made on regional basis to accomplish this aim

The *additional loan programme* should aim to persuade people to buy defence securities of additional amounts If the amount of donations is only Rs 600 crores and the minimum loan programme of Rs 600 crores is also successfully implemented, a sum of Rs 1,340 crores will still remain to be collected from the people in the shape of additional defence loans The difference between the minimum and additional loan programmes is that

whereas the coverage of the former would be approximately universal, the latter would be directed mainly to well-to-do and richer sections of population.

(B) INCREASING PRODUCTION AND SAVING THE FOURTH PLAN

Consumption consciousness has to be associated with production consciousness, and public enthusiasm should be constructively used for augmenting national output Increase in production can yield resources for national defence approximately of the same quantity as restraint on consumption. In the year 1966-67, we should be able to produce goods and services of the order of Rs 2,300 crores additionally for defence. Civilian organizations working for national defence should try to enthuse people to produce more output, in all possible ways including a skilful use of media of mass communication.

This part of programme for the mobilization of public enthusiasm can have the following concrete directions :

(i) Saving the Fourth Plan
(ii) Working More per Day
(iii) Joining New Production Units
(iv) Working in Additional Shifts and New Localities
(v) Increasing Output in Rural Areas

(i) *Saving the Forth Plan* National output in India is being currently increased through development efforts embodied in our economic plans, to which defence efforts would be additive It should be our national endeavour that the whole of the Fourth Plan is fully implemented in broad aggregates, and national consciousness should be awakened to this task. This would help defence efforts in several ways The provision made in the Fourth Plan for raising living standards would be available for defence, and adjustments can be made in production patterns or utilization of output with a view to increase our military might If the Fourth Plan is carried out fully but consumption is frozen at the level of 1964-65, resources worth

Rs 1,700 crores will be available in 1966-67 for country's defence. This can be regarded as the contribution made by the Fourth Plan to country's defence.

(ii) *Working More per Day.* Civilian organizations can give a concrete form to public enthusiasm by impressing upon the people the need of working harder and more per day so that our fighting forces have all the supplies that they need Self-employed persons should work at least one hour more, and employed persons should willingly do the same The income relative to this additional work should be donated to national defence; or, in the alternative, one hour's labour per day may be donated for defence purposes directly Social work agencies should not only create this consciousness among the people and awaken their will to work harder, but they should also provide the organization which may convert this consciousness and willingness into war materials If this programme is properly implemented in urban areas alone, the country can secure resources worth Rs 1,100 crores from this source in the year 1966-67

(iii) *Joining New Production Units* Another social task, in the context of defence preparation, is to encourage people who are not using their time productively, either in whole or in part, to start doing so, and to provide them facilities for this purpose. A consciousness that idleness in the time of national emergency is social sin, should be created, and production facilities should be generated for the utilization of this activized labour People should readily join new production units that may be set up or the units working over-time In fact, it may be useful to set up small production units through the efforts of voluntary organizations

(iv) *Working in Additional Shifts and New Localities* People may be called upon to work in second or third shifts or in more than one factory The labour force will have to develop new mobility and may have to shift to new localities where a demand for additional hands has been generated which cannot be locally met.

Civilian organizations should provide psychological support to this need, and should actively help the productive units, old and new, to solve any manpower problems that may arise

(v) *Increasing Output in Rural Areas* The problem of mobilizing the enthusiasm of the rural people is an important outstanding task as such mobilization can achieve spectacular economic and non-economic results This work needs to be taken seriously in hand by civilian organization devoted to defence efforts

The minimum that we must expect from rural areas is donations and loans to the outer limit of Re. 1 per head per month in each case Even this will have to be organized, and urban agencies which are better experienced in such matters can work in co-operation with rural agencies and do a worth while job

But the task for rural areas is really much wider. Agriculture, animal husbandry, poultry-farming, horticulture, forestry, fishery and ancillary activities, are mostly rural activities, and the output of each and all of them is important for defence and must be vigorously increased to meet the needs of defence as well as of development Civilian organizations in urban areas should start paying serious attention to rural production. Modernized business sector should be encouraged to undertake production in the above-mentioned fields by adopting modern ways of production and management At the same time, the rural people should be motivated and helped to produce more and better

Let it be clearly understood that in this they will have to face the stiff opposition of the petty officials, traders and big landholders in rural areas who work hand in hand to exploit the villager for their personal gains Studies undertaken by the Agro-Economic Research Centre at Allahabad and elsewhere seem to reveal that this exploitation is taking place at an alarming rate Grain earmarked or Fair Price Shops set up in villages sometime does not reach these shops as it is black-

marketed in urban markets as soon as it is issued; and while the payment for the work done by villagers under the rural manpower utilization programme is required by the Government to be partly made in kind, the rural workers are quite often not paid in kind at all. One of the most difficult official transfers these days is the transfer of the co-operative inspector appointed in villages. This exploitation factor is one of the most important obstacles in the way of rapid increase of rural output If urban civilian organizations start doing serious work in rural areas, they must expect an opposition from these exploiting classes. Yet this should not discourage them If the exploiter class is to be ejected from its deeply entrenched positions of vantage in the countryside, the time of national emergency is the best occasion to start doing it

(C) MARKET SUPPLIES AND FAIR PRICE LINE

One of the greatest problems during war time is the danger of inflation; and it is the experience of foreign countries that in a condition of total mobilization two rupees chase goods worth one rupee. Inflation might cause hardships and even loss of morale among the people. Public co-operation should be used for fighting this situation. Emphasis on *not spending* (and, better still, on giving loans and donations and paying taxes) has already been mentioned and should help, but what is very important is that the public should develop a market consciousness and assert itself to ensure a fair distribution of market supplies and the maintenance of fair price line Social organizations can do useful work in this field

The public should be aware of their duty, and take practicable steps, to prevent hoarding and profiteering at all levels. More than by law, this can be accomplished by an enlightened public opinion which asserts itself in keeping a constant watch on the activities of traders and on market supplies and prices, and puts popular and organized pressure on unexplained price spurts to simmer down to normalcy.

It is necessary in particular :

(i) To create public opinion against individual, trade or producer hoarding,

(ii) To publish in local press the fair prices of at least the mass-consumed commodities so that the public is not fleeced and a tendency to profiteer is brought out in the open and stopped,

(iii) To keep a track of market arrivals and disposals so as to detect unfair price rises and take steps to bring them down through persuasion, publicity and social pressure,

(iv) To organize consumer co-operative stores and fair price shops to ensure fair distribution and fair prices, and

(v) To take the business community into confidence and to give them more and more the social responsibility for fair distribution and equitable prices

(D) COMMUNICATION, INTELLIGENCE AND MORALE

Another problem during the period of war is to keep up the tone of public morale and to steel it to a high pitch of optimism so that it remains strong even in the face of occasional disasters This is a matter of political consciousness For this purpose, it is necessary

(i) To build up strong and fast-moving channels of communication between the Government and the people, in other words, correct information about all important matters, particularly on our defence preparations and on conditions and fortunes on war fronts, should be regularly and expeditiously given to all sections of people through the most effective media of mass communication including free literature and regular talks;

(ii) To prevent rumours from spreading and contradicting them, which is the negative aspect of the foregoing item, but is extremely important in itself,

(iii) To infuse people constantly with a sense of pride in their nation and confidence in its ultimate victory in full knowledge of the advantages of a free society, the increase in social welfare in India since we became free, and our preparedness to meet military threats,

(iv) To keep a watch on the activities of the people who are likely to crack under national strain or are inclined to work as fifth column or impart information to enemy agents under financial temptation Mere police cannot do this work · it can best be done by an awakened public vigil at the popular level

(E) MANPOWER ORGANIZATION AND CIVIL DEFENCE

It is also necessary to organize people and train them for defence if the enemy agents or forces come in their midst It is wrong to think that this sort of advance preparation would lower public morale It would, on the other hand, give the public something concrete to do and create among them a sense of preparedness and of personal participation The public realises the need of civil defence, and this understanding should be increased What lowers public morale is exhorting people to organize civil defence but do nothing at all to prepare, equip or organize them for the task, or to act sporadically, haphazardly and shabbily The civil defence training should be taken seriously by those entrusted with its impartation before it can be taken seriously by public Civil defence and A R P measures should be systematically implemented and proper training given for them

The following other suggestions are made in this regard . (*i*) all able bodied persons, particularly in the age group 15-45, should be given physical instruction so as to keep them bodily fit, (*ii*) those who wish should be given military instruction and

instruction in the use of arms; (*iii*) arrangement should particularly be made for imparting instruction in guerilla warfare and under-ground work, (*iv*) there is urgent need of nurses who are in extremely short supply in India, and women may be enthused to learn and take up this work; (*v*) roads may be built and other construction projects of defence nature may be entrusted to voluntary labour, (*vi*) recruitment on a large scale can also be encouraged or handled at popular level, (*vii*) suitable people can be picked up and trained on a local basis for working in factories engaged in turning out war materials.

It may be pertinent to mention here what China has been doing for the last so many years in training 'people's soldiers'. We can do no better than quote Montogomery :

> All fit persons between the ages of 18 and 25 have to serve These militia units are called the 'Ming-Bing', the people's soldiers
>
> I inspected the militia unit of a factory in Canton which made electric torches It was an amazing parade of men *and* women, all armed with rifles or tommy-guns there was an anti-aircraft section manned entirely by women; a signal section of men and women, and a medical section
>
> This militia organization covers the country, and in event of foreign invasion of China the invading army would have a very poor time, indeed it would be engulfed by the Ming-Bing [1]

When we are face to face with China or/and Pakistan in a war, it is necessary that (*a*) we know correctly about the military power of our enemies, and (*b*) prepare ourselves fully to meet it with confidence, both on war front and on civilian front.

THE ORGANIZATION STRUCTURE . AN ILLUSTRATION

We feel strongly that we cannot mobilize public enthusiasm without setting up a popular organization which should function

[1]Quoted by Felix Greene, *The Wall Has Two Sides*, London Jonathan Cape, 1962, pp 299-300.

on emergency basis Purely by way of illustration, we explain how popular enthusiasm and spirit of sacrifice can be *organized* to fulfil the task set in each of the five sectors discussed above A programme, howsoever attractive on paper, is useless unless it can be implemented and is efficiently executed We believe that the programme that has been outlined above can be executed.

THE URBAN STRUCTURE

The task should be broken up on single locality (city or town) basis, and it should be further sub-divided for each *mohalla* of an urban centre A Public Defence Support Organization (Jan Raksha Sahayak Sansthan) may be set up for each locality It may be a semi-statutory body meant to organize public efforts for national defence. This can be manned and staffed by persons rendered surplus in (*a*) educational institutions and (*b*) government offices, in the first instance, as a result of increasing working hours by one per day The transfer of manpower has to be phased and may begin with a transfer of only 5% of manpower engaged in these organizations The transferred persons may continue to be on the pay-rolls of their respective organizations and get paid by them, but their sphere of work would now be the Public Defence Support Organization (PDSO) as a delegate of their own organization The manpower thus secured by PDSO/Local should be divided into (*i*) *office force* composed of persons who would work in the office and (*ii*) *field force* composed of persons deployed to operate in each mohalla as nucleus of PDSO/Mohalla units. As the latter are the units of operations, we would first take up the *modus operandi* of their working.

Mohalla Organization of PDSO PDSO/Mohalla should operate on a whole-time basis and must be composed of *at least* six whole-time officers one to be the co-ordinator and incharge of operations and the remaining five to be in-charge of (*i*) Resource Mobilization Division, (*ii*) Production and Plan Division, (*iii*) Market Supplies and Price Division, (*iv*) Communication, Morale and Intelligence Division, and (*v*) Defence

Training Division respectively. This nucleus should organize the inhabitants of a mohalla for defence effort It should seek guidance in its work from PDSO/Local, and it should receive the active assistance of political and other parties prepared to help in war effort also through PDSO/Local

With a view to illustrate, but by no means to prescribe exhaustively, how effective a mohalla organization can be, it may be mentioned that its working hours will have to conform to the leisure hours of the residents If the nucleus of this organization includes some residents of that mohalla, it would be better It will have to draw up a practicable and effective programme for each sector For instance, about collecting donations, the proper policy might be that members of the mohalla unit should visit each house in the mohalla and ascertain from each householder the donation he would like to make for national defence every month (without bringing any pressure to bear on him). This amount should be collected every month against a receipt which should be duly audited This would save individuals from the harrassment of multiple collections and would be a guarantee against leakage of funds They should collect *ad hoc* contributions in the same way, and push the sale of defence certificates and bonds in the same manner.

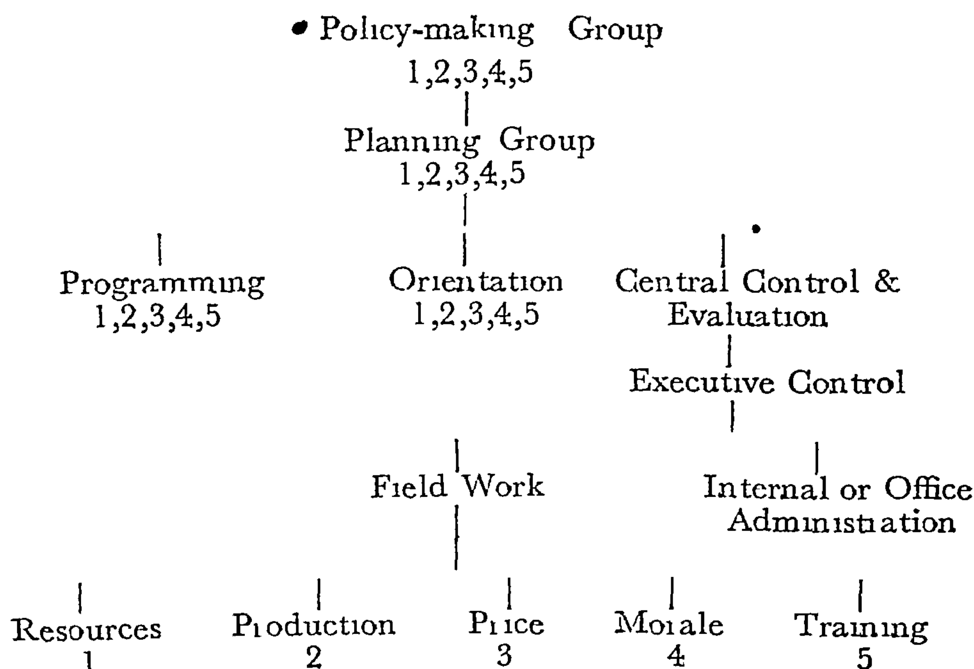
Instances as to how well work in each sector can be organized by PDSO/Mohalla can be multiplied, but perhaps it is not necessary to do so at this place

Local Organization of PDSO. All the PDSO/Mohalla units should be federated to a local organization (PDSO/Local). We have already explained the staffing of the local organization This staff will have to be divided into (*i*) Policy-making Group, (*ii*) Planning Group, (*iii*) Office Executive Group, and (*iv*) Field Executive Group The *Policy-making Group* should be the top group of thinkers who should make policies within the broad framework of the national and state policies of superior units but after taking into account the experience of other countries, our own growing experience and local conditions They

should be unburdened of executive or operational duties as far as possible, though they must show strong awareness to the character and requirements of these duties The *Planning Group* would think out practical ways and means in which these policies can be implemented in the locality and in each of its mohallas, and it would also co-ordinate and control the working of the two executive groups It is the scheme made by the Planning Group which would be followed by PDSO/Mohalla units The *Office Executive Group* would consist of work concerning administration, finance, transport, etc It would obey the Planning Group and service the Field Group The *Field Executive Group* would go out to the field and do the operative part of the job

Each political party, association or person wishing to work for national defence should be registered with the PDSO/Local; and its individual members should be assigned work according to their inclination, capacity and leisure

Organization Chart of PDSO/Local



(Numbers donate functions).

We give on page 99 the organization chart of the Public Defence Support Organization at the local level. It will be seen from this chart that an important function of the Planning Group should be an orientation programme meant primarily for the development of the capacities and understanding of the staff members of the whole unit. The field group would be the chief beneficiary from such a programme.

The PDSO/Local may assign a nucleus of whole-time workers to each PDSO/Mohalla unit out of its own staff and on *ad hoc* basis out of the members of the parties and associations affiliated with it The mohalla unit would work for, and *with*, the residents of the said mohalla.

District Organization of PDSO. All the PDSO/Local units should be federated to a PDSO/District organization. A district unit may take primary initiative in getting the local units established and thus bring the popular enthusiasm of a locality under a single organizational discipline. It may be advisable to establish local units of PDSO in urban cities and towns in a phased programme According to the 1961 Census, there are 2,690 cities and towns and their population structure is shown in Table 26

TABLE 26

Urban Cities and Towns in India, 1961

Class	Population	No.
I	1,00,000 and over	107
II	50,000-99,999	141
III	20,000-49,999	515
IV	10,000-19,999	817
V	5,000-9,999	844
VI	Under 5,000	266
		2,690

(Source · Census of India, Paper No 1 of 1962)

Phasing can, for instance, be done on the following basis :

First Phase .	248 cities with a population of 50,000 or more
Second Phase	1,332 cities with a population of 10,000 or more but less than 50,000
Third Phase	1,110 cities with a popuation under 10,000

The work load on each state organization on the above basis can be calculated from Table 27 For instance, in Madras, which has the largest number of urban cities in India, 28, 180 and 130 local units will have to be set up in these three phases respectively, and the corresponding figures for U P will be 35, 138 and 102.

The PDSO/District should be organized largely on the same basis as explained in the case of a local unit The Field Group in this case will consist of well-trained persons who can (*a*) organize local units in the first instance, if necessary, (*b*) initiate, orientate and train the staff of these units, and (*c*) act as liaison between district and local units later, though without interfering in the working of the local organizations It is suggested that a district unit of the PDSO should be separate in organization from the local unit at the District HQ

Its Orientation Division would train the staff of its own unit as well as the orientation staff of the local units falling under its jurisdiction It might further be useful to ensure occasional participation of policy making and planning staff of lower units

The PDSO/District may also determine the disposal of the donations collected by local units in cash and kind, suggest local targets; process down the national demand for personnel, military and civilian, to be raised locally, supply literature for local distribution, supply and control arms, equipment and other fixed assets, and link up district and local policies to a uniform pattern

TABLE 27

Urban Cities and Town of Different sizes in States, 1961

	State	No of Cities and Towns in 1961 with Population of						Total
		I 1,00,000 and Over	II 50,000 to 99,999	III 20,000 to 49,999	IV 10,000 to 19,999	V 5,000 to 9,999	VI Under 5,000	
1	Andhra Pradesh	11	9	51	73	72	7	223
2	Assam	1	2	10	12	24	11	60
3	Bihar	7	7	32	53	46	8	153
4	Gujarat	6	9	43	54	60	9	181
5	Jammu & Kashmir	2		1	4	6	30	43
6	Kerala	4	5	31	33	18	1	92
7	Madhya Pradesh	6	6	35	57	98	17	219
8	Madras	9	19	62	118	94	36	338
9	Maharashtra	12	15	47	89	88	14	265
10	Mysore	6	10	32	81	64	37	230
11	Orissa	1	3	8	22	25	3	62
12	Punjab	5	13	35	37	54	43	187
13	Rajasthan	6	4	23	52	51	9	145
14	Uttar Pradesh	17	18	56	82	80	22	275
15	West Bengal	12	19	46	45	50	12	184
16	Union Territories etc	2	2	3	5	14	7	33
17	Total	107	141	515	817	841	266	2,690

(Source Census of India, Paper No 1 of 1962)

Policy-making and planning at the district level (i e , for the district as a whole) should be an important function of the PDSO/District, in addition to setting up, advising, equipping, training and helping the local units As we go up in organization structure, the functions of policy-making, planning, advising and training assume increasing importance, and with an increase in distance from the field, the load of field work naturally decreases

State Organization of PDSO. All the PDSO/District units of a state should be federated to a PDSO/State. (Each of the Union Territory may be treated as a state for this purpose) Its organization structure should be broadly similar to what has already been discussed. Its principal task will be to frame a policy for the entire state. In doing so, it will take into account the defence needs and capacity of the state, along with All-India policy and programmes It is presumed that the latter will be elastic and allow local modifications, though these modifications cannot naturally infringe the nation's policy frame

Once policy goals have been set, the Planning Division of the state unit can formulate precise programmes for achieving them, these programmes will have to be atomized for each district and each locality This Division will also take steps to co-ordinate and suggestively control district and local operations so as to ensure that the programmes drawn by it are fulfilled in practice The orientation programme of this unit should cover its own staff and the orientation staff of district units, and it should provide for occasional participation of the policy-making and planning groups of the district organizations falling under its jurisdiction

The duty of the field organization of the state unit may be (*a*) to take initial step to organize district units, (*b*) to initiate, orientate and train district unit staff, and (*c*) to act as liaison between the state unit and the district units They may even go to the field (mohalla), if invited to do so, to help and set an example before mohalla workers.

The important functions of the state unit would be policy-making, planning, orientation and control. It should have to be most careful in organizing a system of central control and evaluation. The Control Room at the PDSO/State may be said to be the most strategic indicator of the degree of success being achieved in each district and in the state as a whole.

National Organization of PDSO The PDSO/National will be a federation of all the PDSO/ State units, with heavy emphasis on (*a*) policy-making, (*b*) planning, (*c*) orientation, and (*d*) control and evaluation. Its field force shall be used for helping the states to organize state units, to train and orientate the staff selected for these units, and to act as liaison between the national unit and the state units. Its organization structure may be on the same lines as has been discussed above

THE RURAL STRUCTURE

We have given above suggestions regarding the establishment of PDSO/Local in urban cities and towns of India. We may now examine the set-up that would suit the countryside:

TABLE 28

Villages of India

	Population	No of Villages (Lac)
I.	1- 199	1 76
II.	200- 499	1 73
III	500- 999	1 19
IV	1,000-1,999	0 65
V	2,000-4,999	0 26
VI.	5,000-9,999	0 04
VII	10,000 and above	0 01[1]
		5 64

[1] The exact figure is .773

According to the 1961 census, the country has approximately 5 6 lac villages of varying sizes in which 35 9 cr people live Their structure is given in Table 28

Most of the Indian villages are small localities Approximately 30% of the villages have a population of less than 200 inhabitants, 60% of the villages, less than 500 inhabitants, and 80%, less than 1,000 souls It would be a fair proposition to establish a PDSO/Local in every village with a population of 5,000 or more, they will match roughly with Class V cities mentioned by us earlier They are about 5,000 in number as against 2,690 which is the total number of cities and towns in India With regard to smaller villages, it will be better to combine them into workable groups for providing impulses, organization help, training, resources, etc

The Panchayat Raj institution has already created a working organization of rural people, and this can be used as a ready-made instrument of preparing people for national defence Incidentally, this would give to Panchayats an opportunity to gain inner strength and broad participation of the village people Every Panchayat should be encouraged to convert itself into a PDSO/Village

The community development structure should help village panchayats in their defence effort But its own orientation to defence needs of the country and its capacity and will to help villages will have to be given a new edge

Every Block Hq should have a PDSO/Block, composed as outlined above, and this should have the status of a PDSO/Local and be federated with PDSO/District

It should treat each village falling under it as a mohalla except that each village with 5,000 or more inhabitants should be treated as an independent locality as has already been mentioned by us above

PRECAUTION

The Public Defence Support Organisation should not be built on the bureaucratic principle or on the basis of one-sided flow of authority from top to bottom and upward flow of responsibility On the contrary, the local branches of PDSO should be regarded as the foundation of the whole set-up and of the greatest importance in the entire structure The central idea is to make each city and village contribute to the war effort to its maximum capacity, to meet the enemy with effective resistance in the village itself or in surrounding areas, and to keep up public morale and keen vigil on the fifth column This requires that each city or village should build up its own organization, its own morale and its own capacity to plan and execute Maximum freedom of action in these matters is a desideratum. Only the entire work should conform to the frame of the national plan or reach the targets set for the different localities.

Chapter VIII

MANAGEMENT, MAGNITUDE AND LEADERSHIP

The somewhat detailed account of the way in which the intangible public enthusiasm can be converted into tangible accomplishments on a sustained basis is meant to illustrate how this great national asset can be prevented from going to waste and how magnitudinal defence preparations can be supported on the basis of its intelligent mobilization Though we do not claim to be experts on group dynamism or aggregative functioning of social groups under emergency, we do feel that this can be successfully done and the people are ready to rise equal to the occasion.

PROBLEM OF MANAGEMENT AND TRAINING

Our country is thus in a very fortunate situation to meet the threat to our territories Things, in fact, could not be better On the one hand, thanks to the planned economic growth of the country, we can mobilize resources of the value of Rs 5,500 cr. in 1966-67 to raise and maintain a military might of 30 lac combatants, and, on the other hand, thanks to our Independence, there is social resurgence and resolve to make efforts and sacrifices for country's defence, and this public enthusiasm can be constructively utilized for achieving concrete defence targets. Only if we can utilize, fully and effectively, the physical and emotional resources which are available or can be made available for national defence, we should be able to repulse any threat to our territory The problem is primarily one of management, of capacity to plan, organise and manage an economy of the size and at the rate consistent with total mobilization and of social competence to utilize human upsurge purposefully and constructively.

While India has been administered fairly well politically, the management of its economic and public affairs certainly

has room for conscious improvement in the context of an external invasion It is a universal truth that the greatest roadblock to fast growth of developing countries is not so much the lack of capital as the want of organising ability, and this applies fully to us India is a nation of thinkers we have yet to prove our worth as doers of things However, it is our feeling that the country does possess the requisite potential of the ability to plan, organise and manage huge resources well, though this ability has not yet been fully used or developed We must begin to do so now with the confidence that we would succeed. The stakes are great and serious, the freedom, dignity and territorial integrity of the nation are imperilled We must try to develop our dormant managerial abilities and practical capabilities in order that we can preserve our freedom

We can take courage from the fact that the task of raising the country's striking power to 30 lac ready-to-fight combatants in the first instance would imply, in ultimate analysis, mostly an enlargement of the various civilian and military tasks that are at already present being fulfilled though on a smaller scale and without much sense of an urgency. What is now necessary is to make more or less the same efforts but on a much larger scale. There is nothing very new in the *nature* of work that is to be done, the work being currently done has to be laterally expanded. This raises the issues of management and training, not so much of new or unfamiliar technologies

This can be easily illustrated Taking the case of increasing the size of India's military force, we already have certain arrangements for the training of officers and men in army, navy and air force, these facilities will now have to be considerably increased If necessary, our universities and big colleges should be made emergency centres of military training, and retired officers of the Indian military employed to give instruction The normal time prescribed for such training might have to be reduced, as is always done when a war is fought Even when a country makes rapid economic strides, a curtail-

ment of the normal duration of the various technological and general courses is a well-known method of getting the people to fill the new posts that are rapidly created After the initial military training, the *jawans* can be made to pass through a hardening process before they are actually sent to battle fronts. The expansion of our military strength does not, therefore, mean undertaking a wholly new or unfamiliar task· it is merely one of duplicating the present training endeavours several times over. The suddenness and largeness of new endeavours would, however, make an unusual call on people's management abilities

The same is true, by and large, of expanding the manufacture of materials The production processes are not new to the country. We have manufacturing traditions of large and small scale production of handicrafts and village industries on the one hand and of mechanized and power-using factories on the other We can use both sophisticated and simple technologies and big and small scales to produce the goods needed for defence purposes insofar as this can be done inside the country. Simple programming would quantify and concretize the task If a list of articles that will be needed for training and equipping additional combatants and for fighting a war is carefully prepared, those which will have to be imported can be tick-marked for *List A*, and the remaining items which will have to be produced in India can compose *List B* List B articles can be sub-divided into (*i*) *List BX* consisting of those items which must be produced in factories for technical reasons and for which our factories possess idle capacities or for which fresh capacities can be installed, and (*ii*) *List BY* made up of the goods which can be or/and have to be turned out on small and cottage scales by labour-intensive methods This would afford concrete guidance as to the nature and volume of contracts that can be placed with the existing factories, and the number and types of new production units that will have to be set up

We strongly recommend, from the point of view of ease of fiscal mobilization, that new factories should be set up in public sector as far as possible, though there need be no doctri-

nate adherence to this principle Likewise, we should have an idea of the types and quantity of goods which will have to be produced on a small and scattered basis for defending the borders The best thing would be that targets for producing each such article is set for each state, and the state target is broken up into district and local targets on realistic considerations The suggested programming can be designed very easily by a country which has a lot of experience of economic planning.

THE PROBLEM OF TRAINING

The above production plan is equipment-based it is built around existing equipment or equipment that may have to be acquired for additional production. We will now explain the problem of getting trained or experienced managers, technicians and workers or training and developing them.

So far as managerial personnel is concerned, it will be necessary to require each existing factory (*a*) to train on a compulsory basis new personnel and (*b*) to release some experienced persons to occupy key positions in new plants At the same time, short-time executive development programmes shall have to be formulated (extending from 1 week to 4 weeks), which may be whole-time for trainees and spare-time for the employed personnel, and arrangements shall have to be made for holding them continuously and regularly in each production unit The utility of such courses is tremendous The industrial countries of the world have a lot of experience of managing manufacturing enterprises They have identified the problem areas, and they have ascertained, by dint of accumulated and verified experience and scientific sophistication, the best methods of solving these management problems The short-cut to acquiring managerial competence is to possess this knowledge and benefit from it in handling practical problems

The Training of Technical Personnel So far as technological personnel is concerned, it would be necessary to (*a*) increase the intake of existing training institutes, (*b*) increase the number

of such institutes, (*c*) reduce the duration of training period, (*d*) ask existing units to release some of its technical staff to take up bigger responsibilities in new plants, (*e*) introduce a system of compulsory training of new personnel in existing factories, and (*f*) encourage under-qualified but competent persons to assume higher responsibilities in case the flow of talent is not sufficiently rapid otherwise. Here, again, the value of short-term and spare-time courses for developing human material cannot be over-emphasized.

New Industrial Workers The problem of securing reasonably satisfactory industrial workers can be solved in a similar way. It goes without saying that we will have to draw upon our villages for getting an industrial labour force of the desired size. There is nothing new in it we have been doing it till today For increasing production as well as for replacing workers who return to their rural homes after a spell of industrial life, our manufacturing enterprises have to depend upon villagers We would, however, have to transfer some experienced workers from existing factories to new establishments so that the proportion between experienced and new workers in older enterprises might undergo a change But this need not be a matter of concern provided that (*a*) we utilize the enthusiasm of the workers and encourage them to increase their productivity, (*b*) introduce an effective system of training workers on the job, (*c*) introduce a short scheme of pre-employment training of workers, and (*d*) treat industrial workers with consideration and have enlightened human relations.

It is time that we change the notion that a factory worker must be an uneducated and village-level person It is our suggestion that we try our young educated persons in this role and watch their efficiency and their reactions If we use young people who have passed High School or lower examinations as workers in some of the new factories (and this we should be able to do by emphasizing their duty to the nation at

this time), we feel convinced that they would learn the work quickly and discharge it efficiently. In mainland China, the author visited several new factories whose working force was composed predominantly of young boys and girls who had passed their middle and high school examinations and whose productivity was well above the average The notion that an industrial worker's job needs mental undergrowth, or great physical exertion or long experience does not seem to be correct It is not borne out by the experience of highly dynamic societies, advanced or under-developed

A PROBLEM OF MAGNITUDE

The foregoing examples show that the task of rapid growth is biologically not so impossible or difficult as is sometimes imagined. Some persons doubt the nation's capacity to accomplish big things in a small time because this has never been done in the past. To this our submission is that peacetime experience is absolutely no guide to what a country can accomplish when threatened by a grave danger. In the latter condition, the willingness and enthusiasm of the people to do great things increases, men's visions become large; people acquire a new sense of confidence, and the nation becomes united and charged with a sense of urgency Therefore, the country is ready and able to do great things in incredibly brief time Let us not commit the blunder believing that the speed and volume of national endeavours during the last eighteen years are the rigid parameters within which a war economy must inevitably function.

As a matter of fact, we have no previous experience of what Indian economy is capable of achieving when the country is fighting a major war to preserve its freedom It would be wrong to say that because our economy has not made sudden expansion in the past, it is incapable of accomplishing it even under the necessity of a war. Never before has Free India faced such a national peril, and the capacity of the economy to grow and of the people to make efforts and sacrifices

has never been tried in such a situation After we have made successful endeavours to safeguard the national security in the present emergency, we would have some sort of reliable assessment of the reserve capacity of our economy and our people

A similar argument advanced against the likelihood of India's war economy expanding rapidly is the belief that other economies in the world have not advanced so quickly It is perhaps not quite true that no country in the world has realized the order of progress which Indian economy has to achieve to fight this war. We may take the case of the People's Republic of China itself During its First Five Year Plan (1953-1957), the industrial and agricultural output went up by 68%, and its national income (including services) by 81%[1] During the period of India's First Five Year Plan, she attained a rate of growth of 18% only In other words, the Chinese rate of economic growth was 4½ times faster than India's Why should India not try to reach, or succeed in reaching, the level of China's accomplishment? Does one seriously believe that India is incapable of achieving a rate of growth which China has been able to accomplish, not even during the period of national emergency? If this be so, it is a clear admission of the failure of democracy in underdeveloped countries, its failure to remove want and to satisfy what Adlai Stevenson calls "the revolution of rising expectations" Democratic planning has to develop a posture of rapid growth before it can achieve it. Several other underdeveloped economies are developing faster than India, For the period of 1950-51/1960-61, increase in India's gross domestic product by 4 4% per annum is poor in comparison with Jamaica's 10%, Israel's 9%, Venezuela and Algeria's 8%, Rhodesia's 7% and Brazil, Philippines, Congo, Greece and Turkey's 6% We must use foreign invasion as an opportunity to assume a rapid-growth posture to ginger up our economy, to enthuse our people to increase their productivity, and to make the country fall in the habit of accelerated growth.

[1]*Economic Survey of Asia and the Far East* 1961, Bangkok United Nations, 1962, p 93

Let this also be stated that a nation whose security is imperilled cannot afford to err on the side of undue caution. Circumstances ought to prevent it from taking the view that nothing should be attempted which is not sure to come off The right attitude has to be to do whatever is necessary for the safety of freedom, and to take adequate measures to ensure that this is done successfully and without fail War needs courage to attempt everything that has a *prima facie* chance of succeeding. We must have the courage even to commit mistakes and the intelligence to profit by them Fear, caution and uncertainty have never led any country to victory. Firm confidence in the people and nation's destiny, resolve to save freedom, and practical and bold measures to raise country's striking power are desideratum

We should not be pessimistic or under-estimate what we have accomplished since Independence, for we have undoubted capacity to achieve great things. If we examine our accomplishments against the background of our past and the difficulties we encountered in the initial stages of our freedom, we should have legitimate pride in our achievements India has a fairly satisfactory system of administration and it is reckoned among the ten best governed countries of the world. Among the under-developed countries, India occupies a pre-eminent position as a path-finder and torch bearer; and she has tried out new and original methods of economic progress with boldness and courage, which have been studied and followed by other countries In fact, the methods of economic growth pursued in other countries are very much what India practices. She has done a wonderful job with her economy when we look back to the stagnant conditions existing during the British Period From a situation in which agricultural output wa rising by 0 3% per annum, industrial output by 8% per annum and national income by 0 6% per annum, her economy has lifted itself up by bootstraps to the level of 4 1%, 9 4% and 4 2% respectively In other words, the dynamics of her economic progress has increased six times since independence. It should give us faith in our economic strength. Instead of having a

depressing feeling that this is all that we are capable of, we should have the confidence that we can do very much better under an emergency.

A FUTURE WITH PEACE ?

It is sometimes said that our proposals for mobilizing economic resources and public enthusiasm to develop the nation's striking power to repulse the Chinese or/and Pakistani invasions ignore the possibility that hostilities may not break out again and all our preparations may be in vain We will now consider this point of view

This line of thinking is based on the argument that China had withdrawn unilaterally in 1962 and again desisted from attacking India in 1965, and, therefore, we need not fear another invasion and waste valuable resources on military preparations. As to Pakistan, it is felt that her war machinery has been devastated in her third aggression against India in 1965 and she dare not raise her head now. In any case, India believes in world peace and should strive for promoting and maintaining it She should moderate the war-mongering tendencies which have lately been growing and concentrate on peaceful economic growth

The difficulty with this line of reasoning seems to be that China and Pakistan are no longer trusted by the people of this country and their future designs against India cannot be taken to be altogether friendly It is not known when they might attack India again, singly or jointly, and with much greater preparedness and bigger objectives than before. The boundary with Pakistan, though settled, can always be used as a pretext for starting a war As to our boundary with China, it is very difficult to demarcate it, and a boundary dispute can be always used as a pretext for territorial invasion Giuseppe Tucci writing about his journey in that part of Nepal which is "real Tibet", near the foot of the Moala Pass, surrounded by the huge massif of the Annapurna, the valley of the Gandaki river, Muktinath and the Mana Pass says

> What is true of the districts through which we are now passing is even more true in the north, where we shall have to skirt the confines between Tibet and Nepal, mere lines drawn on a terrain far from being exactly surveyed and demarcated. It runs through areas where there is very little life and where it is never possible to induce anyone to settle. These can become further causes as we have seen quite recently of serious conflict between China, which has absorbed Tibet, and India which, in her own interests, keeps watch over the frontiers of the neighbouring Himalayan state. No irreconcilable conflict could ever arise over such bleak uplands, disputes no less grave than those which have arisen over Sino-Burmese frontier have been settled to the satisfaction of both sides. *But less obvious causes may be concealed behind a pretence of territorial claims. Then matters become complicated and no one can predict how they will end*[2] (Emphasis supplied)

Who can be sure if deeper objectives hidden behind the apparent border disputes would prompt such disputes which can at any time blow up into a major war? The right course, therefore, seems to be to prepare ourselves for the defence of the country, for the worst

To think that the resources devoted to national defence is a waste is certainly not true. What is, however, true is that military preparation beyond what is essential for defence purposes or made for invading a neighbouring country is legally and morally indefensible, and it is also a waste in the sense that Imperialism has ceased to be a business proposition in the modern world. To prepare to defend one's national integrity is a duty · to neglect, an abdication.

A variant of this question is sometimes this. Supposing neither China nor Pakistan attacks India again, would, then,

[2]Giuseppe Tucci, *Nepal The Discovery of the Malla*, London George Allen & Unwin, 1962, pp 36-37

all the military preparation not be a waste of resources? The answer is in the negative For we must address ourselves to the problem of national defence from a long-range point of view, even if we do not get ruffled by passing events This means that we have to get down to the basis of national defence The national defence consists in maintaining a sufficiently strong military force which may effectively repulse an external attack India s northern boundary (*a*) is extremely long, (*b*) is vulnerable and alive, (*c*) is surrounded by hostile neighbours and (*d*) is constantly threatened by the latters' military might and aggressiveness We have not yet developed our armed, air and naval strength to take into account these facts It is time that we prepare our national defence on the basis of these hard facts Our military strength has to be sufficient to repulse our enemies whenever and wherever they attack our territory. Any objective less than this would imperil our national security and hard-won freedom

We would like to quote here Prime Minister Jawahar Lal Nehru from his speech in the Parliament on December 10,1962 :

> Even though there is no actual fighting at present, the emergency, the danger continue and will continue so long as the Chinese present policy and military postures continue to be a threat to our independence and integrity
>
> This struggle, war, whatever shape it may take will be a long one It may even last five years or more It will require our hardest effort and many sacrifices and refusal, whatever happens, to bow down to the imperialistic tactics of China

There can be no question that we have to prepare our defence on the basis of continuing threat of Chinese and Pakistani aggressions

The main instrument of national defence is a country's military force The role of armies in a democratic society is explained as follows in the course of a military staff college .

> Armies exist to further by force or the threat of force civil policies which cannot be furthered by any other means In a democracy an army is not, and ought not to be, self activating It functions only as the will of the people, indeed, as the will of the people expressed through constitutional forms [3]

All the efforts to settle the border dispute with China or Pakistan have thus far failed, and both the countries have used force instead to gain their ends. We have no alternative now to developing sufficient striking power to safeguard our territory and meet strength with strength The best way to foil enemy's intention to commit aggression is to have a military organization capable of meeting it effectively and successfully.

It should further be noted that we are not pleading for a continuously mounting defence expenditure After we have caught the arrears in our defence preparation, we should be able to reduce our defence expenditure We have already mentioned that after the Fourth Five Year Plan, we can manage to meet all our defence expenditure by dint of domestic efforts. After that, the ratio between standing and reserve army can be altered, keeping in view the border situation then existing

After we have reached the target of 30 lac or 40 lac combatants and the present danger has eased, we may come down to a standing army of 30 lacs, a reserve army of equal strength, and a revolving army of increasing size The country should enforce one year's military training on a compulsory footing for young people on a selected basis so that every year some 5 lacs of them are admitted to it The result would be that during a decade we will have a revolving army of 50 lac persons who can be called to arms whenever necessary after a brief refresher training and acclimatization. They would be a useful addition to the standing and reserve army A standing army of 30 lac combatants, a reserve army of 30 lac combatants and a revol-

[3]John Masters, *The Road Past Mandalay*, London Michael Joseph, 1962, p 87

ving army of trained civilians of ever-increasing dimensions can be our long-term targets For adequate defence a country should be in a position to raise a large army at a short notice · it is not necessary to have a big standing army. In the words of Sardar K M Panikkar :

> What India needs for her defence is an army with long-term service, not too large but highly trained and equipped with the latest and most effective weapons This regular army should be capable of being extended rapidly when occasion arises both in terms of manpower and officers[4]

THE ROLE OF LEADERSHIP

The basic responsibility of planning, organization and management of human and material resources to fight aggressors does, in the very nature of things, rest fairly and squarely upon the leadership of the country The initiative in this direction must initially flow from those who hold the reins of government, and it is they alone who can, and must, take positive and effective measures to ensure that all the available resources are put to the best use on a continuing basis Since the leadership translates its decisions into action through the apparatus of public administration, it is clear that public services are also on trial We have already discussed the role of the public in this connexion

The nation's leadership must, during the period of war, show strong awareness in certain directions Firstly, it must make, as it is already doing, *a realistic assessment of the gravity of the situation* It should not become self-complacent or allow itself to be influenced by such ideas as the following that Pakistan having got a licking would not dare raise its head again, 'that the horror of a possible nuclear war would prevent a local war from extending, that the fear that Soviet Union might openly clash with China would hold the latter in reins, that the internal

[4] K M Panikkar, *Problems of Indian Defence*, Bombay Asia, 1960, p 7

troubles of China would prevent its expansionist designs, or that the democratic nations of the world would not allow democracy from being smothered in India These may or may not turn out to be true, but the Government should prepare to meet the worst situation that might possibly arise In particular, there is need to distinguish between 'appeasement' and 'peace' It would be pertinent to note what Eden says on this subject

> I should like to suggest to my noble friends a test which they might easily apply it is whether the agreement for which they are working will serve only to relax tension for a while, or whether it is in the true interests of lasting peace We must not perpetrate an injustice in order to get a little present ease, and the Government have to consider whether their decision gives peace, not just for an hour or a day or two, but in their children's time That is the difference between appeasement and peace[5]

It is abundantly clear that the national leadership has shown due respect to hard realities and their speeches, policies and actions have truly reflected popular emotions and feelings and have given confidence, inspiration and strength to the people They are alive to the exact nature and extent of danger, and have performed a natural leadership role in guiding public opinion and leading it on systematically

In the second place, a realistic assessment of the nature and enormity of the present danger has to be followed by a *realistic and concrete formulation of the defence task* that the country has to undertake It would obviously not do to say that the nation is in grave peril, but to act in a manner consistent with anything less than such a situation There should be complete co-ordination between the assessment of the danger and measures taken to avert it A primary function of a Government is to safeguard the country from foreign aggression, and military force is maintained precisely with this end in view The degree of threat

[5]The Rt Hon The Earl of Avon, *The Eden Memoirs Facing the Dictators*, London, Cassell 1962, Foreword, p ii

to territorial integrity should, therefore, be reflected in the strength of the country's military force In other words, we must increase our striking force in terms of the length of our open borders, the military might of our neighbours and the depth of their hostility towards us The defence objectives have often to be fixed independently of the nation's own capacity For purposes of defence, the rule is not to cut one's coat according to one's cloth, it is to find sufficient cloth to cut one's coat

Finally, the Government should have the *capacity to raise adequate resources for fighting a total war, and to plan, organize and manage an enormous-sized economy and mass enthusiasm* The central point of war economy is the brevity of the time span much has to be done in a very short time This calls for unusual capacity to plan big things, to organize activities at a great speed, and to manage large operations efficiently It is a truism of war economics that a country which cannot do this, is not ripe for total mobilization

Judged from this standard, the leadership of the nation has given a good account of itself It has been wonderfully successful in assessing the danger across our borders, and it has a record of proud achievement in strengthening country's defences and taking firm and decisive action in repulsing the enemy attacks The result is that the public stands solidly behind the Government and is ready and willing to make any effort and sacrifice which it may be called upon to make The situation is even better than in 1962 At that time, the public opinion pressed the Government to take positive and adequate measures for national defence The public mood was different instead of being followers and admirers of leadership, they had become judges and critics of Government policies and performance. The gulf between the public and its leaders had widened and there was a lack of complete unity of purpose and outlook It is heartening to note that the political leadership has shown a wonderful comeback in 1965 It has taken the right steps to meet the aggressors and it has reflected the public mood in its determination to give them a thrashing The Government

and the people have risen as one man to meet any threat to national integrity The Government has convinced the people that it would not allow its territories to be snatched away; that it would match action to words, and that it can be tremendously action-oriented in the hour of national peril Therefore, the people are ready today to back the political leadership to the hilt Our leadership, which has achieved brilliant success thus far, has now to vindicate its capacity to make a realistic formulation of the defence task competently, to mobilize the needed resources courageously, and to execute plans to develop an adequate striking power rapidly and boldly We have no doubt that it would prove equal to the task

Let us also mention that successful leadership involves a daring vision, capacity to plan and manage, open-mindedness, sensitivity to expert opinion and others' ideas, recognition of individuals' strong points and utilizing them according to their capacities, delegation of authority, and courage to go beyond one's own group in larger interests

The resurgence of the hitherto latent leadership qualities in the hour of grave national emergency gives us a hope that a turing point in nation's history has arrived, and what we are witnessing today may be the initial phase of a historical process which future chroniclers would love to record.

The national leadership of Free India has had a very impressive record of achievements. With little military or economic strength relatively to Great Powers, India's opinions have been heeded in international councils where she has acquired an importance out of proportion to her size or military strength It has been a torch-bearer for many under-developed countries in the working of a democratic system and a planned economy Despite the partition and its terrible consequences, it has been able to make the country stand once again on its legs as a working unit, and it has shown remarkable dynamism and ingenuity in liquidating the former Indian *Riyasats* By careful and forward-looking management of the country's economy, it has put

the people on road to mounting progress And all this has been done only in 18 years' time and without any previous experience. We should, therefore, have every reason to feel confident that our leadership would serve the best interests of the nation in a most commendable way The setback suffered by the country militarily at the time of the sudden Chinese attack in 1962 was a passing phase. This has now been overcome, and the present leadership, which is a continuation of the old leadership phenomenon, is showing its mettle in the field of national security.

India has always believed in the policy of non-alignment. In fact, it is India's contribution to contemporary political thought and action, and it is widely accepted and appreciated by newly independent nations Tom Mboya of Kenya, for instance, writes :

> She (Africa) has no history or ties that would embarrass her. She has a clean past and a new start, and instead of joining any of the present power blocs or forming just another bloc, she should concentrate on establishing her own personality in the context of dedication to basic individual freedom and civil liberties. India's freedom brought with it the concept of neutralism and non-alignment But let Africa's entry bring with it this new and noble emphasis of dedication to freedom for the individual [6]

It is a political creed worthy of adherence in future But if we want to save non-alignment, if we wish to avoid joining any power bloc and to take positive steps for strengthening forces of world peace, freedom and democracy, we have to have an adequate military build-up. This alone can help us to avoid leaning heavily on any bloc, or to prevent any bloc from becoming hostile to us or threatening or even attacking us, or to co-operate with other non-aligned nations for the preservation of

[6]Tom Mboya, Vision of Africa, in James Duffy and Robert A Manners, *Africa Speaks*, Princeton, New Jersey D Van Norstad, 1961, pp 24-25

non-alignment Adequate striking power is the best safeguard of non-alignment

But as things are, the facts (*i*) that Pakistan and China have committed aggressions on our soil, (*ii*) that the western countries have shown indifference to the cause for which we stand and have not given us support, and (*iii*) that the Soviet Union has stood by our side through thick and thin cannot be forgotten They are bound to leave an impress on our foreign policy, but how deep that impression would be, would depend very much upon the western democracies and their attitude towards Pakistan

Non-alignment is not a static concept and cannot remain permanently tied to a rigid outlook. Its contents will have to reflect the changing facts of the world scene and the requirements of our national security and welfare.

Appendix

MOBILIZATION OF PUBLIC ENTHUSIASM

CONCRETE OBJECT

(*a*) *Resource Mobilization* :

(i) Austere Living
(ii) Prompt and Correct Payment of Taxes
(iii) Giving of Donations
(iv) Subscribing to Defence Loans

(*b*) *Increasing Production and Saving the Fourth Plan* :

(v) Saving the Fourth Plan
(vi) Working More per Day
(vii) Joining New Production Units
(viii) Working in Additional Shifts and New Localities
(ix) Increasing Output in Rural Areas

(*c*) *Market Supplies and Fair Price Line*

(x) Creating Opinion against Hoarding
(xi) Publishing Fair Prices of Mass-Consumed Commodities
(xii) Detection of Unfair Prices and Bringing Them Down
(xiii) Organizing Consumer Stores and Fair Price Shops
(xiv) Giving to Business Community the Social Responsibility for Fair Distribution and Equitable Prices

(*d*) *Communication, Intelligence and Morale*

(xv) Disseminating Accurate Information and News
(xvi) Preventing and Contradicting Rumours
(xvii) Infusing Confidence among the people
(xviii) Keeping Watch on the Fifth Column Activities

(*e*) *Manpower Organization and Civil Defence* :

(xix) Training and Organizing People for Civil Defence

(xx) Giving Physical Instruction to People

(xxi) Arranging for Military Training on Voluntary Basis

(xxii) Expanding Training for Nursing Work

(xxiii) Helping in the Construction of Defence Projects

(xxiv) Encouraging and Helping Recruitment for War Services

(xxv) Training People for War Production